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**REVIEWED**

By Joseph P. Whalen at 1:51 pm, Nov 10, 2016

Rollo Holdings, Inc. et al v. VLP Capital, Inc. et al, No. 16-cv-2664 (C.D. CA Nov. 9, 2016)

**PRIVATE EB-5 Civil Action COMPLAINT**

**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
EASTERN DIVISION**

ROLLOCO HOLDINGS, INC., a Canadian  
Corporation; CATHY ROLLO, an  
individual; and, TONY ROLLO, an  
individual;

Plaintiffs,

v.

VLP CAPITAL, INC., a California  
Corporation; VLP CAPITAL, INC., a  
Nevada Corporation; VANGUARD  
LEISURE PROPERTIES REAL ESTATE  
INVESTMENT TRUST, a Trust created  
under Canadian law; VLP CAPITAL, LLC,  
a Limited Liability Company, state of  
incorporation unknown; VLP  
MANAGEMENT, LTD., a Canadian  
Corporation; DESERT DUNES  
MANAGEMENT, LLC, a Nevada Limited  
Liability Company; DDGC HOLDINGS,  
LTD., a California Corporation; DDGC  
OPERATIONS, LTD., a California  
Corporation; DESERT DUNES CONDOS,  
LP; a California Limited Partnership;  
CALIFORNIA EAST COAST REGIONAL  
CENTER, LLC, USCIS REGIONAL  
CENTER; a California Limited Liability  
Company; GMS DEVELOPMENTS, LLC,

**CASE NO.: 5:16-cv-2334**

**COMPLAINT FOR DAMAGES,  
DECLARATORY RELIEF AND  
INJUNCTIVE RELIEF**

**DEMAND FOR JURY TRIAL**

- (1) Violation of §10(b)-5 of the Securities  
Exchange Act of 1934 and California  
Corporations Code §25400
- (2) Fraud
- (3) Intentional Misrepresentation
- (4) Negligent Misrepresentation
- (5) Breach of Contract
- (6) Breach of the Implied Covenant of Good  
Faith and Fair Dealing
- (7) Negligence
- (8) Conversion
- (9) Professional Negligence
- (10) Breach of Fiduciary Duty
- (11) Negligent Infliction of Emotional Distress
- (12) Unjust Enrichment
- (13) Fraudulent Transfer – 11 U.S.C. §§544 and  
550 and California Civil Code §§3439.04(a)  
and 3439.05
- (14) Violation of California Corporations Code  
§25110

COMPLAINT FOR DAMAGES, DECLARATORY RELIEF AND INJUNCTIVE RELIEF

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3. Through numerous misrepresentations and fraudulent transactions, Defendants looted VLP Capital of its real property and other assets, and defrauded Plaintiffs. Defendants Glen Brayshaw, Michael Nyhuis and Sean Runnels engaged in a corporate shell game to steal the Plaintiffs' money and orchestrate the fraud described herein. Plaintiffs have never been repaid any of the funds provided to Defendants.

4. As a result of Defendants' fraud, the Plaintiffs are virtually destitute and have been forced to sell their home. The Plaintiffs request a judicial determination that they are the owners of VLP Capital, record owners of DDGC and the Pulte Land, or alternatively, damages in the amount of the highest value of the assets of VLP Capital, including all its real property since the time Plaintiffs became its sole shareholders, interest and attorney fees. Alternatively, the Plaintiffs request compensatory damages of \$2,810,000, and interest thereon, as set forth herein.

#### PARTIES

5. At all relevant times, Plaintiff Rolloco Holdings, Inc. is and was Canadian corporation, based in Winnipeg, Canada. Plaintiff Cathy Rollo and Plaintiff Tony Rollo are the sole shareholders of Plaintiff Rolloco Holdings, Inc.

6. At all relevant times, Plaintiff Cathy Rollo is and was an individual residing in Winnipeg, Canada.

7. At all relevant times, Plaintiff Tony Rollo is and was an individual residing in Winnipeg, Canada.

8. Plaintiffs Rolloco Holdings, Inc., Cathy Rollo and Tony Rollo are referred to herein collectively as "Plaintiffs."

9. At all relevant times, Defendant VLP Capital, Inc. ("VLP Capital") is and was a California Corporation with a principal place of business in Palm Desert, California, and record owner of the real property which concerns the substantial part of this action.

1           10. At all relevant times, Defendant VLP Capital, Inc. ("VLP Capital Nevada") is and  
2 was a Nevada Corporation with a principal place of business in Las Vegas, Nevada, and  
3 operating in Riverside County, California.

4           11. At all relevant times, Defendant Vanguard Leisure Properties Real Estate  
5 Investment Trust (hereinafter referred to as the "REIT") is and was a Real Estate Investment  
6 Trust created under the laws of the province of Alberta, Canada, operating in Riverside County,  
7 California, and is named solely in its capacity as holding an interest in real property in  
8 constructive trust for Plaintiffs.

9           12. At all relevant times, Defendant VLP Capital, LLC is and was a Limited Liability  
10 Company, state of incorporation unknown, operating in Riverside County, California.

11           13. At all relevant times, Defendant VLP Management, Ltd. is and was Canadian  
12 Corporation, based in Alberta, Canada, operating in Riverside County, California.

13           14. At all relevant times, Defendant Desert Dunes Management, LLC is and was a  
14 Nevada Limited Liability Company with a principal place of business in Las Vegas, Nevada, and  
15 operating in Riverside County, California.

16           15. At all relevant times, Defendant DDGC Holdings, Ltd. is and was a California  
17 Corporation with a principal place of business in Palm Desert, California. Plaintiffs are informed  
18 and believe that "DDGC" is an acronym for the Desert Dunes Golf Course.

19           16. At all relevant times, Defendant DDGC Operations, Ltd. is and was a California  
20 Corporation with a principal place of business in Palm Desert, California.

21           17. At all relevant times, Defendant Desert Dunes Condos, LP is and was a California  
22 Limited Partnership with a principal place of business in Palm Desert, California.

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1 18. At all relevant times, Defendant California East Coast Regional Center, LLC,  
2 USCIS Regional Center (hereinafter, the "Regional Center") is and was a California Limited  
3 Liability Company with a principal place of business in Palm Desert, California, the General  
4 Partner of Defendant Desert Dunes Condos, LP, and is named solely in its capacity as holding an  
5 interest in real property in constructive trust for Plaintiffs.  
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7 19. At all relevant times, Defendant GMS Developments, LLC is and was a Nevada  
8 Limited Liability Company with a principal place of business in Las Vegas, Nevada, and  
9 operating in Riverside County, California. Plaintiffs are informed and believe that "GMS" is an  
10 acronym for the first names of Defendants Glen Brayshaw, Michael Nyhuis and Sean Runnels.  
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12 20. At all relevant times, Defendant California Foreign Investment and Immigration  
13 Center, LLC (hereinafter, "CFIIC") is and was a California Limited Liability Company with a  
14 principal place of business in Palm Desert, California, and is named solely in its capacity as  
15 holding an interest in real property in constructive trust for Plaintiffs.

16 21. At all relevant times, Defendant AMAG, Inc. is and was a California Corporation  
17 with a principal place of business in Santa Monica, California, operating in Riverside County,  
18 California, and named solely in its capacity as holding an interest in real property in constructive  
19 trust for Plaintiffs.  
20

21 22. At all relevant times, Defendant R2H, LLC is and was an Arizona Limited  
22 Liability Company with a principal place of business in Phoenix, Arizona, operating in Riverside  
23 County, California, and is named solely in its capacity as holding an interest in real property in  
24 constructive trust for Plaintiffs.

25 23. At all relevant times, Defendant Richard Bilos Medical Corporation is and was a  
26 Canadian Corporation based in Winnipeg, Canada, and is named solely in its capacity as holding  
27 an interest in real property in constructive trust for Plaintiffs.  
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24. Defendants VLP Capital, VLP Capital Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP and GMS Developments, LLC are referred to herein collectively as the "Entity Defendants." (The remaining corporate Defendants – the REIT, the Regional Center, CFHC, AMAG, Inc., R2H, LLC and Richard Bilos Medical Corporation are named solely in their capacity as holding an interest in real property in constructive trust for Plaintiffs.)

25. All of the acts and omissions set forth herein were undertaken by the Entity Defendants' agents, who were acting within the scope of their employment. The Entity Defendants are therefore liable for said acts and omissions, and consequent damage, as set forth herein.

26. At all relevant times, Defendant Glen Brayshaw is and was an individual residing in Riverside County, California, and a control person of each Entity Defendant under federal and California law, including but not limited to Section 20(a) of The Securities Exchange Act of 1934 (15 U.S.C. § 78a, *et seq.*), 15 U.S.C. §78t(a) and California Corporations Code §25504.

27. At all relevant times, Defendant Michael Nyhuis is and was an individual residing in Riverside County, California, and a control person of each Entity Defendant under federal and California law, including but not limited to Section 20(a) of The 1934 Act, 15 U.S.C. §78t(a), *et seq.* and California Corporations Code §25504.

28. At all relevant times, Defendant Sean Runnels is and was an individual residing in Riverside County, California, and a control person of each Entity Defendant under federal and California law, including but not limited to Section 20(a) of The 1934 Act, 15 U.S.C. §78t(a), *et seq.* and California Corporations Code §25504.

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29. At all relevant times, Defendant Gene O'Brien, Esq. is and was an individual residing in Riverside County, California, a California-admitted attorney, and a control person of each Entity Defendant under federal and California law, including but not limited to Section 20(a) of The 1934 Act, 15 U.S.C. §78t(a), *et seq.* and California Corporations Code §25504.

30. Defendants Glen Brayshaw, Michael Nyhuis, Sean Runnels and Gene O'Brien, Esq. are referred to herein collectively as the "Individual Defendants."

31. The Entity Defendants and Individual Defendants are referred to herein collectively as the "Defendants."

32. The conduct described herein was accomplished with the knowledge and involvement of all Defendants, who conspired to defraud the Plaintiffs. Defendants knew of the wrongful activities and tortuous scheme with knowledge of its unlawful purpose, and intended to aid in its commission, which resulted in the Plaintiffs' damages described herein.

#### TIMELINE

<b>2009</b>	The REIT is formed.
<b>June 2011</b>	Defendant VLP Capital is formed.
<b>July 14, 2011</b>	The REIT loans Defendant DDGC Holdings, Ltd. \$2,150,000.
<b>December 14, 2011</b>	Plaintiffs wire transfer \$200,000 to Defendant DDGC Holdings Ltd.
<b>December 20, 2011</b>	Defendant VLP Capital obtains a Deed of Trust on DDGC in the amount of \$5,500,000.
<b>February 24, 2012</b>	Plaintiffs wire transfer \$70,000 to Defendant VLP Capital.
<b>June 12, 2012</b>	Defendant Glen Brayshaw represents to Plaintiff Cathy Rollo that Defendants were closing on a "\$20,000,000 deal" that week.
<b>June 13, 2012</b>	Plaintiffs wire transfer \$150,000 to Defendant DDGC Operations Ltd.
<b>July 3, 2012</b>	Defendants solicit a fourth short-term loan from the Plaintiffs in the amount of \$1,390,000.

1 **July 4, 2012** The Legal Opinion from the Hewell Law Firm confirms that  
2 Plaintiffs will become one-hundred percent (100%) shareholders of  
3 Defendant VLP Capital Inc. as a result of the \$1,390,000 transaction.  
4  
5 **July 4, 2012** Defendants Glen Brayshaw, Michael Nyhuis and Gene O'Brien, Esq.  
6 execute personal guarantees in connection with the \$1,390,000  
7 transaction.  
8  
9 **July 5, 2012** Plaintiffs wire transfer \$1,390,000 to Defendant VLP Capital.  
10 Plaintiffs become one-hundred percent (100%) shareholders of  
11 Defendant VLP Capital Inc.  
12  
13 **December 20, 2012** Without any approval by or notice to the Plaintiffs, Defendants cause  
14 Defendant VLP Capital to assign \$3,500,000 of the \$5,500,000 Deed  
15 of Trust on DDGC to Defendant AMAG, Inc.  
16  
17 **March 6, 2013** Plaintiffs wire transfer \$200,000 to Defendant VLP Capital.  
18  
19 **March 22, 2013** Defendant VLP Capital closes on the Pulte Land purchase.  
20  
21 **June 1-12, 2013** Plaintiffs wire transfer a total of \$800,000 to Defendant VLP Capital  
22 in two separate transfers.  
23  
24 **June 13, 2013** Defendants, through the so-called "Shareholders Agreement" in  
25 connection with the June 2013 \$800,000 loans, fraudulently attempt  
26 to steal ninety-percent (90%) of the Plaintiffs' equity in Defendant  
27 VLP Capital.  
28  
29 **June 19, 2013** Defendant VLP Capital Nevada assigns to the Plaintiffs (but did not  
30 record) \$3,500,000 of a \$4,000,000 Deed of Trust on the Pulte Land.  
31  
32 **August 1, 2013** Plaintiff Cathy Rollo is appointed to the Board of Directors of  
33 Defendant VLP Capital.  
34  
35 **February 26, 2015** Without any approval by or notice to the Plaintiffs, Defendants sell  
36 the North side of the Pulte Land to Defendant GMS Developments,  
37 LLC via a Grant Deed. (Plaintiffs are informed and believe that  
38 "GMS" is an acronym for the first names of Defendants Glen  
39 Brayshaw, Michael Nyhuis and Sean Runnels.) Defendant GMS  
40 Developments, LLC simultaneously grants a Deed of Trust to  
41 Defendant R2H, LLC for the North side of the Pulte Land in  
42 exchange for a \$4,850,000 Deed of Trust.  
43  
44 **May 14, 2015** Without any approval by or notice to the Plaintiffs, Defendants cause  
45 Defendant VLP Capital to grant a \$2,000,000 2<sup>nd</sup> Deed of Trust to  
46 Defendant R2H, LLC to the South side of the Pulte Land.  
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1 **November 10, 2015** Defendants solicit Plaintiffs' execution of fraudulent  
2 Share/Membership Transfer and the Membership Acceptance  
3 Agreements.

4 **November 20, 2015** Without any approval by or notice to the Plaintiffs, Defendants cause  
5 Defendant VLP Capital to grant a Deed of Trust to Defendant R2H,  
6 LLC, in the amount of \$4,000,000 payable by Defendant VLP  
7 Capital Nevada.

8 **May 2016** Without any approval by or notice to the Plaintiffs, Defendants  
9 assign \$250,000 of the \$5,500,000 Deed of Trust on DDGC to  
10 Defendant Richard Bilos Medical Corporation.

11 **May 23, 2016** Plaintiffs demand the return of their funds, but are ignored.

12 **July 8, 2016** Defendants ask Plaintiffs to execute a so-called "Reduction  
13 Agreement," to which the Plaintiffs never agreed and never  
14 executed.

#### 15 **ALTER EGO**

16 33. Plaintiffs are informed and believe that at all times mentioned herein Defendants  
17 were the alter-ego of each other and there existed such unity of interest and ownership between  
18 them that individuality and separateness has ceased.

19 34. Plaintiffs are informed and believe that at all times mentioned herein that the  
20 Entity Defendants were mere shells, instrumentalities and conduits through which the Individual  
21 Defendants carry on their business in the corporate names, exercising such control and dominion  
22 of the Entity Defendants that any individuality or separateness of the Entity Defendants did not  
23 and does not exist.

24 35. Plaintiffs are informed and believe that the Entity Defendants are so  
25 undercapitalized that they could not and cannot meet their corporate obligations. Whatever  
26 assets the Entity Defendants possessed have been diverted to the Individual Defendants, or others  
27 at their direction, to the detriment of creditors including Plaintiffs, and that the corporate form  
28 has been otherwise disregarded so that the Entity Defendants are united with the personal  
interests of the Individual Defendants.

36. Plaintiffs are informed and believe that the Individual Defendants so managed and operated the Entity Defendants so as to mingle the Entity Defendants' assets with their own individual assets, according to the Individual Defendants' convenience and in order to make the Entity Defendants unable to meet their obligations to Plaintiffs.

37. Plaintiffs allege that the Individual Defendants are personally liable for any damages caused by the Entity Defendants. Plaintiffs are informed and believe that any further adherence to the fiction of a separate existence of the Entity Defendants as entities distinct from the Individual Defendants would permit an abuse of the corporate privilege and would either sanction a fraud against Plaintiffs or otherwise result in an injustice to Plaintiffs. Upon information and belief, the Entity Defendants exist solely to carry out the fraudulent activities described herein.

38. Plaintiffs are informed and believe that each Defendant was the agent of the others in connection with all activities referenced in this Complaint and each is responsible for the activities of the others.

## JURISDICTION AND VENUE

39. This Court also has original subject matter jurisdiction pursuant to 28 U.S.C. §1331, per Sections 21(d)(1), 21(d)(3)(A), 21(e), and 27 of The Securities Exchange Act of 1934, 15 U.S.C. §§78u(d)(1), 78u(d)(3)(A), 78u(e) & 78aa. This Court also has original subject matter jurisdiction of this action pursuant to 28 U.S.C. §1332(a)(2), as it between citizens of a foreign state and United States citizens, and the amount in controversy is in excess of \$75,000.

40. Venue is proper in this District pursuant to 28 U.S.C. §1391(b), and Section 27 of The 1934 Act, 15 U.S.C. §78aa. Defendants, directly and indirectly, made use of the mails and the means and instrumentalities of interstate commerce in connection with the acts alleged in this Complaint, and a substantial part of this action concerns real property located in this District.

**FACTS COMMON TO ALL CAUSES OF ACTION**

41. Plaintiffs Cathy Rollo and Tony Rollo met Defendant Glen Brayshaw in November 2011. Defendant Brayshaw represented to the Plaintiffs that the Defendants owned DDGC, and were purchasing 471 acres of undeveloped real property adjacent to DDGC – the “Pulte Land” – to develop a condominium project (“Condominium Project”) thereon.

**A. \$200,000 Short-Term Loan – December 2011**

42. In December 2011, the Individual Defendants represented to the Plaintiffs that they had a funding gap in connection with the purchase of the Pulte Land, and solicited a short-term loan from the Plaintiffs in the amount of \$200,000.

43. The Individual Defendants represented to the Plaintiffs, among other things, that at all times, the Plaintiffs’ \$200,000 short-term loan would be secured by a Deed of Trust on DDGC. The Plaintiffs relied upon and never would have agreed to the transaction in the absence of the Individual Defendants’ material representations, among others, that at all times the Plaintiffs’ loan would be secured by a Deed of Trust on DDGC.

44. The Individual Defendants promised the Plaintiffs in exchange for the loan: (a) Plaintiffs would be paid one-percent (1%) interest on the \$200,000 principal per month until principal repayment; and, (b) upon completion of the Condominium Project, the Plaintiffs’ \$200,000 principal would be returned, and Plaintiffs would be granted a “Premium Condominium.”

45. At the Individual Defendants’ direction, the Plaintiffs sent a wire transfer through their corporation, Plaintiff Rolloco Holdings, Inc. to Defendant DDGC Holdings Ltd. in the amount of \$200,000 on or about December 14, 2011.

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1           46. The Individual Defendants provided the Plaintiffs with: (a) a Deed of Trust on  
2 DDGC (recorded with the Riverside County Recorder's Office on December 14, 2011, whereby  
3 Plaintiff Rolloco Holdings, Inc. is a beneficiary of the DDGC property); and, (b) a Promissory  
4 Note, true and correct copies of which are attached hereto as Exhibit "A" and incorporated  
5 herein.

6  
7           47. The Plaintiffs never received any of the promised interest payments on the  
8 \$200,000 short-term loan, nor was any amount of the principal ever repaid to the Plaintiffs.

9           ***B. \$70,000 Short-Term Loan – February 2012***

10           48. In February 2012, the Individual Defendants solicited a second short-term loan  
11 from the Plaintiffs in connection with the purchase of the Pulte Land in the amount of \$70,000.

12           49. At the Individual Defendants' direction, the Plaintiffs wire transferred through  
13 Plaintiff Rolloco Holdings, Inc. the amount of \$70,000 to Defendant DDGC Holdings Ltd. on  
14 February 24, 2012. In exchange, the Individual Defendants promised the Plaintiffs: (a)  
15 repayment of the \$70,000 principal on or before March 20, 2012; (b) ten (10) free rounds of golf  
16 at DDGC; and, (c) a one-week stay at Marriot's Shadow Ridge in Palm Desert, California.

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18           50. The Plaintiffs never would have agreed to the transaction in the absence of the  
19 Individual Defendants' repeated representations that the loans were secured at all times by a  
20 Deed of Trust on DDGC.

21  
22           51. The Individual Defendants provided the Plaintiffs with a Memorandum of  
23 Understanding, a true and correct copy of which is attached hereto as Exhibit "B" and  
24 incorporated herein, which memorialized the second short-term loan, and further memorialized  
25 the first short-term loan. On March 20, 2012, the Plaintiffs received repayment in the amount of  
26 \$33,625 on the \$70,000 short-term loan, but never received the other promised consideration.

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1           **C.     \$150,000 Short-Term Loan – June 2012**

2           52.     In June 2012, the Individual Defendants solicited a third short-term loan from the  
3     Plaintiffs in the amount of \$150,000 in connection with the purchase of the Pulte Land.

4           53.     Among other false statements, in June 12, 2012 correspondence, a true and  
5     correct copy of which is attached hereto as Exhibit "C" and incorporated herein, Defendant  
6     Brayshaw represented that Defendants were closing on a "\$20,000,000 deal" and would pay off  
7     the Pulte Land the next week.

8           54.     The Plaintiffs relied upon and would not have agreed to the transaction in the  
9     absence of the Individual Defendants' representations, among others, regarding the "\$20,000,000  
10    deal" and imminent closing on the Pulte Land, in addition to the prior representations that the  
11    Plaintiffs would at all times be secured by a Deed of Trust on DDGC.

12           55.     The Individual Defendants represented to the Plaintiffs that in exchange for the  
13     \$150,000 short-term loan, the Plaintiffs would be paid \$466,669 in five years "or sooner," as  
14     follows: (a) \$150,000 repayment of principal; and; (b) plus interest (including interest owed on  
15     the February 2012 and December 2011 short-term loans).

16           56.     At the Individual Defendants' direction, the Plaintiffs wire transferred through  
17     Plaintiff Rolloco Holdings, Inc. the amount of \$150,000 to Defendant DDGC Holdings Ltd. on  
18     or about June 12, 2012. The Individual Defendants provided the Plaintiffs with a Stock  
19     Subscription Agreement, a true and correct copy of which is attached hereto as Exhibit "D" and  
20     incorporated herein, which memorialized the \$150,000 short-term loan.

21           **D.     \$1,390,000 Short-Term "Bridge Loan" – July 2012**

22           57.     In July 2012, the Individual Defendants solicited a fourth short-term loan from the  
23     Plaintiffs in the amount of \$1,390,000 in connection with the purchase of the Pulte Land.

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59. The Individual Defendants falsely represented to the Plaintiffs that the \$1,390,000 would be repaid immediately once the \$19,500,000 was received from the Indian Band and, among other false statements, if the \$19,500,000 was not received, the Defendants had in excess of \$1,800,000 in other funds set aside to repay the Plaintiffs.

60. Plaintiffs became the sole shareholders of Defendant VLP Capital as a result of the \$1,390,000 loan. Defendant Brayshaw represented in July 3, 2012 correspondence to the Plaintiffs, a true and correct copy of which is attached hereto as Exhibit “E” and incorporated herein, that “we have already issued all 10,000,000 shares of VLP” to the Plaintiffs.

61. To convince Plaintiffs to make the loan, the Individual Defendants retained the San Diego based Hewell Law Firm to render a legal opinion ("Legal Opinion") to the Plaintiffs regarding the effect of the loan, a true and correct copy of which is attached hereto as Exhibit "F" and incorporated herein, which states:

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1           67. On July 4, 2012, the Plaintiffs wire transferred \$1,390,000 to Defendant VLP  
2 Capital via Defendant Gene O'Brien, Esq.'s client trust account.

3           68. As part of the \$1,390,000 loan, the Individual Defendants provided the Plaintiffs  
4 with: (a) a Memorandum of Understanding; and, (b) a Stock Subscription Agreement (which  
5 confirmed that the Plaintiffs owned one-hundred percent (100%) of the outstanding shares of  
6 Defendant VLP Capital), true and correct copies of which are attached hereto as Exhibit "J" and  
7 incorporated herein, and whereby in exchange for the \$1,390,000 short-term bridge loan, the  
8 Plaintiffs: (a) would be paid \$1,400,000 in return of principal and \$350,000 in interest; and, (b)  
9 acquired all 10,000,000 authorized common shares of Defendant VLP Capital and were its sole  
10 shareholders.  
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12                           *iii. Defendants Requested that Plaintiffs Forebear from Calling the*  
13                           *\$1,390,000 Bridge Loan*

14           69. Mere days before the September 30, 2012 call date for the \$1,390,000 bridge  
15 loan, the Individual Defendants represented to the Plaintiffs that they had formed a group of  
16 investors – a so-called "syndicate" which would be a repayment source.

17           70. Among other misrepresentations, Defendant Brayshaw falsely represented in  
18 September 29, 2012 correspondence, a true and correct copy of which is attached hereto as  
19 Exhibit "K" and incorporated herein, that the Defendants had received \$6,000,000 through the  
20 syndication offering, and had lined up another \$9,000,000 in funding through a combination of  
21 loans, an unnamed "billionaire guy" and the "guy who used to own the Los Angeles Kings."  
22 Defendant Brayshaw falsely represented to the Plaintiffs that with the \$6,000,000 in syndicate  
23 funds, the Individual Defendants would complete the purchase of the Pulte Land and get the  
24 Condominium Project started.  
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1           71. On September 29, 2012 (Exhibit "K"), Defendant Brayshaw falsely represented  
2 that the Condominium Project would generate \$200,000,000 in profits within four (4) to seven  
3 (7) years, and the Plaintiffs would receive "\$10,000,000 in dividends."

4           72. Based on the foregoing misrepresentations, among others, the Individual  
5 Defendants pressured the Plaintiffs to forebear from calling the \$1,390,000 short-term bridge  
6 loan, in exchange for which the Plaintiffs would receive: (a) a five percent (5%) ownership  
7 interest in the Condominium Project, which the Defendants falsely represented would be worth  
8 \$10,000,000 in four (4) to seven (7) years; and, (b) return of their \$1,390,000 principal in six (6)  
9 to nine (9) months; and, (c) \$350,000 in interest to the Plaintiffs.

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11           73. The Individual Defendants guaranteed the return of the Plaintiffs' \$1,390,000  
12 principal, and that in six (6) to nine (9) months, Defendants would receive enough funds from  
13 foreign investments to repay the \$1,390,000 in principal owed. The Individual Defendants  
14 represented to the Plaintiffs that in the event the funds from foreign investments – the "EB-5  
15 funds"<sup>2</sup> – were not received as expected, the Individual Defendants had enough funds through  
16 the syndication offering to repay the \$1,390,000 principal.

17  
18           74. The Individual Defendants also represented that the Plaintiffs' Deed of Trust on  
19 DDGC would remain in place, and the Plaintiffs would retain ownership of all 10,000,000  
20 authorized common shares of Defendant VLP Capital until the \$1,390,000 principal was repaid.

21  
22           75. Based on material representations of the Individual Defendants recited in ¶¶57-64  
23 and 69-74, among others, the Legal Opinion, the Personal Guarantees and the Individual  
24 Defendants' representations that the loans were secured at all times by a Deed of Trust on  
25 DDGC, the Plaintiffs did not call the \$1,390,000 short-term bridge loan. But for the foregoing  
26

27           <sup>2</sup> In 1990, Congress created the EB-5 program to stimulate the economy through capital  
28 investment by foreign investors. The immigrant investor program sets aside visas for foreign  
investors who invest in approved commercial enterprises.

1 material representations of the Individual Defendants, among others, the Plaintiffs would have  
2 immediately called the \$1,390,000 bridge loan.

3 76. The Individual Defendants provided the Plaintiffs with a Memorandum of  
4 Understanding, Re-Purchase and Security Agreement, all of which related to the \$1,390,000  
5 loan, a true and correct copy of which is attached hereto as Exhibit "L" and incorporated herein.  
6

7 ***E. \$200,000 Short-Term Loan – March 2013***

8 77. In March 2013, the Individual Defendants pressured Plaintiffs to make yet another  
9 short-term loan in connection with the purchase of the Pulte Land. As a result, the Plaintiffs wire  
10 transferred through Rolloco Holdings, Inc. \$200,000 to Defendant VLP Capital, LLC on or about  
11 March 13, 2013.

12 78. The Individual Defendants falsely represented to the Plaintiffs, among other  
13 things, that in exchange for the \$200,000 short-term loan, the Plaintiffs would be paid \$218,086  
14 on or before May 15, 2013. The Individual Defendants provided the Plaintiffs with: (a) a Loan  
15 Agreement; and, (b) a Promissory Note, true and correct copies of which are attached hereto as  
16 Exhibit "M" and incorporated herein.  
17

18 79. But for the material representations of the Defendants recited in ¶¶57-64, 69-74  
19 and 77-78, among others, the Legal Opinion, the Personal Guarantees and the Individual  
20 Defendants' representations that the loans were secured at all times by a Deed of Trust on  
21 DDGC, the Plaintiffs would not have made this additional loan.  
22

23 ***i. Defendants Closed on the Pulte Land – March 2013***

24 80. On March 19, 2013, Defendant VLP Capital closed on the Pulte Land. Yet  
25 Defendants never paid the Plaintiffs the promised interest payments, or principal, in connection  
26 with any of the loans.  
27

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1 **F. \$800,000 Short-Term Loan – May 2013**

2 81. Around May 15, 2013 (the date the March 2013 \$200,000 loan was to be repaid),  
3 the Plaintiffs met with the Individual Defendants in Palm Springs. The Plaintiffs expected to be  
4 repaid a portion of their previous loans. However, the Individual Defendants then pressured  
5 Plaintiffs for yet another short-term loan of \$800,000.  
6

7 82. Among other representations, in May 30, 2013 correspondence, a true and correct  
8 copy of which is attached hereto as Exhibit "N" and incorporated herein, Defendant Brayshaw  
9 represented that the Individual Defendants had a number of sources from which they could  
10 timely repay the \$800,000 loan, including but not limited to: (a) selling a portion of the Pulte  
11 Land for \$12,000,000; (b) the EB-5 funds; and, (c) "\$15,000,000" from a "lender in New York."  
12

13 83. Defendant Glen Brayshaw pressured the Plaintiffs that the sale of a portion of the  
14 Pulte Land for \$12,000,000 would guarantee that the Plaintiffs would receive repayment of their  
15 \$800,000 principal in the fall of 2013. Defendant Glen Brayshaw also represented in May 2013  
16 correspondence to Plaintiffs' bank, Assiniboine Credit Union, a true and correct is attached  
17 hereto as Exhibit "O" and incorporated herein, that the \$800,000 principal would be deposited in  
18 Plaintiffs' bank account by the end of February 2014.

19 84. The Individual Defendants falsely represented to the Plaintiffs that in exchange  
20 for the \$800,000 short-term loan: (a) by the fall of 2013, the Defendants would repay the  
21 principal of \$800,000 and \$350,000 in interest to the Plaintiffs; and, (b) Defendants would  
22 Assign to the Plaintiffs an interest in a Deed of Trust on the Pulte Land in the amount of  
23 \$3,500,000 (*i.e.*, Defendant VLP Capital Nevada was beneficiary of a \$4,000,000 Deed of Trust  
24 on the Pulte Land, and would assign to the Plaintiffs its (Defendant VLP Capital Nevada's)  
25 interest in the first \$3,500,000 of that Deed of Trust).  
26

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28

1           85. But for the material representations of the Individual Defendants recited in ¶¶57-  
2 64, 69-74, 77-78 and 81-84, among others, the Legal Opinion, the Personal Guarantees and the  
3 Individual Defendants' representations that the loans were secured at all times by a Deed of  
4 Trust on DDGC, the Plaintiffs wire transferred an additional \$800,000 to Defendant VLP  
5 Capital, LLC.

6           86. In order to fund the \$800,000 loan, Plaintiffs borrowed funds through a home  
7 equity loan in the amount of \$403,000, a fact known to the Individual Defendants.

8           87. The Individual Defendants provided the Plaintiffs with: (a) a Shareholder  
9 Agreement; (b) an Assignment of Deed of Trust, true and correct copies of which are attached  
10 hereto as Exhibit "P" and incorporated herein, which memorialized the \$800,000 short-term loan  
11 and whereby Plaintiff Cathy Rollo would be named as a member of Board of Directors of  
12 Defendant VLP Capital.

13  
14  
15           *i. Plaintiffs Forced to Sell Their Home*

16           88. In the fall of 2013, Defendant Brayshaw Glen falsely represented to the Plaintiffs  
17 that the Individual Defendants decided not to take the \$12,000,000 land sale deal, as they had  
18 secured a "better" \$60,000,000 line of credit deal. This decision was made without Plaintiffs'  
19 knowledge or approval, and based upon information and belief, without approval of Defendant  
20 VLP Capital's Board of Directors.

21           89. Defendant Brayshaw Glen later informed the Plaintiffs that the \$60,000,000 line  
22 of credit deal fell through.

23           90. When Plaintiffs did not receive repayment of the \$800,000 loan principal in the  
24 fall of 2013, as promised by the Individual Defendants, Plaintiffs were forced to sell their home  
25 in order to have money to live on.

26  
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1           ***G. Fraudulent Membership Acceptance Agreement – November 2015***

2           91. On November 10, 2015, Plaintiff Cathy Rollo met with Defendant Glen Brayshaw  
3 and Defendant Sean Runnels in Palm Springs, at which time Brayshaw and Runnels falsely  
4 represented that Plaintiffs must sign certain documents.

5           92. Defendant Brayshaw and Defendant Runnels falsely represented to Plaintiff  
6 Cathy Rollo that the documents would transfer the Plaintiffs' shares of Defendant VLP Capital to  
7 Defendant VLP Capital Nevada and the sole effect of the transaction was to hold dividends from  
8 the Condominium Project.

9           93. Defendant VLP Capital Nevada was a newly formed a corporation, and had no  
10 operations or assets. Plaintiffs never received a Private Placement Memorandum ("PPM") or  
11 any disclosure regarding Defendant VLP Capital Nevada. Upon information and belief, the  
12 Individual Defendants were the directors of Defendant VLP Capital Nevada.

13           94. The proposed November 10, 2015 Agreement was a further effort to defraud the  
14 Plaintiffs of their one-hundred percent (100%) interest in VLP Capital. Plaintiff Cathy Rollo  
15 was pressured to sign the documents without reading them, and the Defendants represented the  
16 documents to her as routine and inconsequential.

17           95. The document was a so-called Share/Membership Transfer Agreement. On  
18 November 13, 2015, Defendant Brayshaw sent Plaintiff Tony Rollo an almost identical  
19 agreement, a so-called Membership Transfer Agreement. True and correct copies of the  
20 November 2015 Agreements are attached hereto as Exhibit "Q" and incorporated herein.

21           96. The Share/Membership Transfer Agreement and Membership Transfer  
22 Agreement were each intended to defraud the Plaintiffs of their one-hundred percent (100%)  
23 interest in VLP Capital that had been purchased when they loaned the Defendants \$1,390,000.

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**H. Defendants Repeatedly Represented to Plaintiffs that their Loans were Safe, Secured by Real Property and Would be Repaid**

97. At all times, from the first loan in December 2011 and as recently as June 2016, the Defendants falsely represented to the Plaintiffs that their loans were safe, secured by land and would shortly be repaid, and Defendants would honor all agreements. Despite those repeated assurances, Plaintiffs' demands for the return of their funds have been refused by the Defendants.

**I. Material Misrepresentations and Proscribed Fraudulent Securities Sales Practices**

98. Federal securities law requires that all material facts in connection with the offer or sale of investments or securities must be disclosed. Section 10(b) of The Exchange Act of 1934, and Rule 10b-5 promulgated thereunder (15 U.S.C. §78j(b); 17 C.F.R. 240.10b-5).

99. California Corporations Code §25401 states:

"It is unlawful for any person to offer or sell a security in this state . . . by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading."

100. The Defendants falsely, or with reckless disregard for the truth, intentionally made the following material false representations or omissions, among others, to the Plaintiffs, which they relied upon as Defendants intended, in connection with the sale of the securities described herein:

**June 12, 2012**

- Defendants were closing a "\$20,000,000 deal" during the second week of June 2012. Exhibit "C".
- Defendants were paying off the Pulte Land "in full cash" during the third week of June 2012. Exhibit "C".

///

///

1           **July 3, 2012**

- 2           ▪ Defendants failed to disclose to the Plaintiffs that the REIT then held a significant  
3           number of shares in Defendant VLP Capital, despite that Plaintiffs owned one-  
4           hundred percent (100%) of the shares of Defendant VLP Capital and were its sole  
5           shareholder - as demonstrated by Exhibit "E", Defendant Brayshaw's July 3, 2012  
6           correspondence; Exhibit "F" the Legal Opinion; and, Exhibit "J", the July 4, 2012  
7           Memorandum of Understanding and Stock Subscription Agreement.

8           Defendant Brayshaw was the manager of the REIT at the same time he was a  
9           board member of Defendant VLP Capital, as well as party to contracts with  
10          Defendant VLP Capital in which he had a material interest, which resulted in an  
11          undisclosed conflict among Defendant Brayshaw, Defendant VLP Capital, the  
12          REIT, and the Plaintiffs.

13           **September 29, 2012**

- 14          ▪ That "there is upwards of \$200,000,000 in profits that can be pulled out the  
15          [Condominium Project] over the next 4-7 years" and Plaintiffs would receive  
16          "\$10,000,000 in dividends." Exhibit "K".
- 17          ▪ Defendants had secured all of the funds needed to complete the purchase of the  
18          Pulte Land. Exhibit "K".
- 19          ▪ Defendants had lined up \$9,000,000 in funding for the Condominium Project  
20          through a combination of loans, an unnamed "billionaire guy" and the "guy who  
21          used to own the Los Angeles Kings." Exhibit "K".
- 22          ▪ Defendants had \$6,000,000 in "syndicate funds," from which they could complete  
23          the purchase of the Pulte Land and finance "upfront soft costs" to get the  
24          Condominium Project started. Exhibit "K".

25           **October 12, 2012**

- 26          ▪ The Memorandum of Understanding, Re-Purchase and Security Agreement  
27          (Exhibit "L") falsely states that the Plaintiffs had previously purchased shares of  
28          Defendant DDGC Holdings, Ltd. for a total of \$1,800,000, when in fact the  
29          Plaintiffs had purchased and then owned one-hundred percent (100%) of the  
30          authorized shares of Defendant VLP Capital.

31           **December 20, 2012**

- 32          ▪ Without approval by or notice to the Plaintiffs, who owned one-hundred percent  
33          (100%) of Defendant VLP Capital, Defendants assigned \$3,500,000 of the  
34          \$5,500,000 Deed of Trust on DDGC to Defendant AMAG, Inc. In addition to the  
35          fact that the assignment was an *ultra vires* corporate act, the Plaintiffs received no  
36          portion of the \$3,500,000 purportedly paid by Defendant AMAG, Inc.

1           **May 30, 2013**

- 2           ▪ Defendants had "\$15,000,000" from a "lender in New York," which would be  
3           used to repay to the Plaintiffs. Exhibit "N".
- 4           ▪ The total capitalization of Defendant VLP Capital was 12,000,000 shares and  
5           Defendants would issue the Plaintiffs 1,200,000 shares representing ten-percent  
6           (10%) of Defendant VLP Capital, when all previous agreements and  
7           representations confirmed that the Plaintiffs already owned one-hundred percent  
8           (100%) of Defendant VLP Capital.
- 9           ▪ Plaintiffs are informed and believe that at the same time Defendants represented  
10           to Plaintiffs that Plaintiffs owned one-hundred percent (100%) of Defendant VLP  
11           Capital, in fact, upon belief, the REIT controlled by the other Defendants owned a  
12           percentage of VLP Capital, which was never disclosed to the Plaintiffs.
- 13           ▪ Defendants had a number of sources from which they could timely repay the  
14           \$800,000 loan, including but not limited to: (a) selling a portion of the Pulte Land  
15           for \$12,000,000; (b) the EB-5 funds; and, (c) "\$15,000,000" from a "lender in  
16           New York." Exhibit "N".
- 17           ▪ The unrecorded Assignment of a Deed of Trust on the Pulte Land in the amount  
18           of \$3,500,000 (Exhibit "P") was all that was needed to be effective under  
19           California law.

20           **June 13, 2013**

- 21           ▪ Defendants attempted to defraud the Plaintiffs by pressuring them to sign an  
22           illusory and fraudulent so-called "Shareholder Agreement," whereby Plaintiffs  
23           purportedly returned ninety percent (90%) of their interest in Defendant VLP  
24           Capital in exchange for no consideration. Exhibit "Q".

25           At the time they executed the agreement, Plaintiffs owned one-hundred percent  
26           (100%) of the shares of Defendant VLP Capital, which owned DDGC and the  
27           Pulte Land. Through the purported agreement, Plaintiffs loaned Defendants yet  
28           another \$800,000, and purportedly gave up ninety percent (90%) of their interest  
in Defendant VLP Capital. In other words, the Plaintiffs contributed money to  
have their equity diluted by ninety percent (90%). The purported agreement is  
fraudulent (as it operates to defraud Plaintiffs of 90% of their equity), illusory and  
fails for lack of consideration. **In addition, the agreement is void because  
signatory Michael Chiapetta's signature is forged.**

29           **May 29, 2014**

- 30           ▪ Defendant VLP Capital granted two Deeds of Trust on the Pulte Land to the REIT  
31           in the aggregate amount of \$8,000,000. The REIT then reconveyed both Deeds of  
32           Trust on January 23, 2015.

33           ///

1 Despite that Plaintiffs were the sole shareholders of Defendant VLP Capital, and  
2 Plaintiff Cathy Rollo had been formally appointed to the its Board of Directors on  
3 August 1, 2013, no notice was provided to Plaintiffs regarding the transactions, no  
4 board approval was obtained and no accounting was made relating to the  
5 transaction. Additionally, despite that Plaintiffs were the sole shareholders of  
6 Defendant VLP Capital, they received no consideration in connection with the  
7 reconveyances of the two Deeds of Trust.

8 Defendant Glen Brayshaw never disclosed his status as the manager and a board  
9 member of the REIT while simultaneously the control persona and a Board  
10 Member of VLP Capital. Upon belief, Defendants Runnels and Nyhuis are also  
11 officers and board members of the REIT. The transactions were a conflict for the  
12 Individual Defendants and represent further self dealing.

#### 13 February 26, 2015

- 14 • Without any approval by or notice to the Plaintiffs, who owned one-hundred  
15 percent (100%) of the outstanding shares of Defendant VLP Capital, and without  
16 any approval by or notice to Plaintiff Cathy Rollo, who was a Board Member, at  
17 some time unknown to the Plaintiffs the Defendants split the Pulte Land into two  
18 sections and sold the Northern portion of the Pulte Land to Defendant GMS  
19 Developments, LLC via a Grant Deed. Upon information, no consideration was  
20 paid by Defendant GMS Developments, LLC for the Grant Deed. Upon  
21 information, Defendant GMS Developments was an alter ego for Defendants  
22 Brayshaw, Nyhuis and Runnels.

23 On February 26, 2015, Defendant GMS Developments, LLC simultaneously  
24 granted a Deed of Trust to Defendant R2H, LLC for the Northern portion of the  
25 Pulte Land in exchange for a \$4,850,000 Deed of Trust. In addition to the fact  
26 that both transactions were *ultra vires* corporate acts, the Plaintiffs received no  
27 portion of the \$4,850,000 purportedly paid by Defendant R2H, LLC to Defendant  
28 GMS Developments, LLC.

Neither of the foregoing transactions was disclosed to the Plaintiffs despite that  
they were the sole shareholders of Defendant VLP Capital. There has never been  
an accounting of the transactions or disclosure of what happened to the  
\$4,850,000 or any other amounts paid to Defendant GMS Developments, LLC for  
the assets of Defendant VLP Capital. The forgoing transaction represents a  
looting of the significant corporate assets of VLP Capital by the Defendants.

#### May 13, 2015

- Without any approval by or notice to the Plaintiffs, who owned one-hundred  
percent (100%) of the outstanding shares of Defendant VLP Capital, Defendants  
caused it to grant a \$2,000,000 2<sup>nd</sup> Deed of Trust to Defendant R2H, LLC to the  
South side of the Pulte Land. This transaction was not disclosed to the Plaintiffs,  
nor has there ever been an accounting of the transaction. This transaction  
represents Defendants' further looting of the corporate assets of VLP Capital.



**November 10, 2015**

- The Share/Membership Transfer and the Membership Acceptance Agreement (Exhibit "Q") are fraudulent and void. Plaintiff Cathy Rollo was pressured to sign the Share/Membership Transfer, which was misrepresented to her. Moreover, the documents were not executed by the necessary parties. Plaintiffs never received any disclosures, such as a Private Placement Memorandum ("PPM"), concerning Defendant Desert Dunes Management, LLC.

**November 20, 2015**

- On November 20, 2015 Defendants caused Defendant VLP Capital to grant a Deed of Trust to Defendant R2H, LLC, in the amount of \$4,000,000 payable by Defendant VLP Capital Nevada on the Pulte Land.

This transaction was not disclosed to the Plaintiffs despite that they were the sole shareholders of Defendant VLP Capital, as well as Board Members, nor has there ever been an accounting of the transaction. This transaction represents a looting of the significant corporate assets of Defendant VLP Capital by the Defendants.

As a result of the above fraudulent transactions, the so called Share/Membership Transfer and the Membership Acceptance Agreement are a nullity.

**May 2016**

- Defendants concealed from Plaintiffs that they assigned \$250,000 of the \$5,500,000 Deed of Trust on DDGC to Defendant Richard Bilos Medical Corporation. Exhibit "R".

101. The Defendants falsely, or with reckless disregard for the truth, intentionally made the following material false representations or omissions, among others, to the Plaintiffs, which they relied upon as Defendants intended, in connection with the sale of the securities described herein:

- Throughout their interaction, Defendants made material false statements to Plaintiffs regarding the capitalization and status of VLP Capital.
- The Individual Defendants falsely represented to the Plaintiffs that they were the partners of Plaintiffs, that the Plaintiffs could rely upon and trust the Defendants and that Defendants were acting in the best interest of the Plaintiffs.
- The Individual Defendants routinely and intentionally interchanged the names of Entity Defendants to confuse and defraud the Plaintiffs.

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102. In furtherance of the Defendants' fraud described herein: (a) the Defendants pressured the Plaintiffs to invest their retirement funds, and made the false statements referenced herein to cause the same, knowing that such statements were false and the investments would leave the Plaintiff's destitute; (b) the Defendants, including upon information and belief Defendant O'Brien, hired and paid the legal fees of the Hewell Law Firm, which rendered the Legal Opinion (Exhibit "F"); (c) Defendants drafted every agreement attached hereto; and, (d) at all times, and as recently as June 2016, the Defendants falsely represented to the Plaintiffs that their loans were safe, secured by land, and would shortly be repaid. In all events, Plaintiffs' demands for the return of their funds have been refused by the Defendants.

***J. Required Investment Adviser Registration***

103. The Investment Advisers Act of 1940 (15 U.S.C. §80b-1 to 80b-21) defines an "Investment Adviser" as a person who, for compensation, engages in the business of advising others about securities. 15 U.S.C. §80b-2(a)(11).

104. SEC Release IA 1092 states that registration as an Investment Adviser is required when the following three conditions are met: (1) if advice or analysis regarding securities is offered; (2) if the entity is "in the business" of giving such advice; and, (3) if the advice is provided for compensation.

105. The Corporate Securities Law of 1968, California Corporations Code §25000, *et seq.*, also defines an "Investment Adviser" as a person who, for compensation, engages in the business of advising others about securities. California Corporations Code §25009.

106. California Corporations Code §25230(a) provides: "It is unlawful for any investment adviser to conduct business as an investment adviser in this state unless the investment adviser has first applied for and secured from the commissioner a certificate, then in effect, authorizing the investment adviser to do so . . . ."

**K. Required Broker-Dealer Registration**

107. Section 3 (a)(4)(A) of The Securities Exchange Act of 1934 defines a “broker” as any person engaged in the business of effecting transactions in securities for the account of others. California Corporations Code §25210(b) provides that “[n]o person shall, on behalf of a broker-dealer . . . or on behalf of an issuer, effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless that . . . agent ha[s] complied with any rules as the commissioner may adopt for the qualification and employment of those agents.”

**L. Defendants Promoted, Marketed and Sold Securities to Plaintiffs – Conducting Business as Unregistered Investment Advisers and Broker-Dealers**

108. At all relevant times, none of the Defendants: (1) held any registration or authorization to conduct business as Investment Adviser; nor, (2) was a licensed and registered broker-dealer. Despite the absence of required securities registration and licensing, the Defendants promoted, marketed and sold securities to the Plaintiffs.

**CAUSES OF ACTION**

**FIRST CAUSE OF ACTION**

**Violation of §10(b)-5 of the Securities and Exchange Act of 1934 and  
California Corporations Code §25400, et seq.**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

109. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

110. All material facts in connection with the offer or sale of investments or securities must be disclosed. Section 10(b) of The Securities Exchange Act of 1934 Act and Rule 10b-5 promulgated thereunder, 15 U.S.C. §78j(b); 17 C.F.R. 240.10b-5, and California Corporations Code §25400, et seq.

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111. In connection with the investments herein, Defendants affirmatively, knowingly and/or recklessly made untrue statements of material fact and affirmatively, knowingly and/or recklessly omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.

112. Defendants had no basis for the statements made to Plaintiffs. Defendants knew or should have known that the statements were false. Defendants intended that Plaintiffs rely on said misrepresentations, misleading statements and omissions. Plaintiffs reasonably relied upon the statements made by Defendants.

113. Defendants' actions violated, among other common law and statutes, Section 10(b) of The Securities Exchange Act of 1934 Act and Rule 10b-5 promulgated thereunder, 15 U.S.C. §78j(b); 17 C.F.R. 240.10b-5; and, California Corporations Code §25400, *et seq.*

114. Plaintiffs have been damaged by the conduct of Defendants as set forth herein and are entitled to rescind such purchase and recover damages.

## SECOND CAUSE OF ACTION

### Fraud

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

115. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

116. Defendants intentionally or with reckless disregard for the truth, made material misrepresentations, omitted to state material facts necessary to make the statements they made not misleading, and suppressed material facts, of which Plaintiffs had actual knowledge. Defendants had actual knowledge their misrepresentations and omissions were untrue when made and intended that Plaintiffs rely on the misrepresentations and omissions. Plaintiffs reasonably relied on Defendants' misrepresentations and omissions.

117. Plaintiffs have been damaged as a direct and proximate result of Defendants' conduct as set forth herein.

### THIRD CAUSE OF ACTION

#### Intentional Misrepresentation

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

118. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

119. Defendants made material misrepresentations to Plaintiffs, including, but not limited to misrepresenting to Plaintiffs that the investments were sound, successful and thriving, and Plaintiffs' funds invested with the Defendants would be secure. In addition, Defendants falsely represented to Plaintiffs, as an inducement to obtain Plaintiffs' funds, that Plaintiffs would at all times have access to their funds, funds were available or immediately available to repay them; and, upon their request, Defendants would immediately return the Plaintiffs' funds.

120. Defendants made these representations knowing them to be false and further made these representations with the intent to deceive and defraud Plaintiffs and to induce them to act in reliance on these representations in the manner hereafter alleged, or with the expectation that they would so act. The representations made by Defendants were in fact false and/or misleading.

121. Plaintiffs, at the time these representations were made by Defendants, were ignorant of the falsity of these representations and believed them to be true. In reliance on these representations, Plaintiffs were induced to, and did rely upon the representations of Defendants to invest funds with Defendants as described herein. Plaintiffs' reliance on the representations of Defendants was justified.

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122. As a proximate result of the fraudulent conduct of Defendants, Plaintiffs have been injured and suffered monetary damages as a result of Defendant's wrongful conduct. The aforementioned conduct of Defendants was an intentional misrepresentation, deceit and concealment of material facts known to Defendants, and was done with the intention on the part of Defendants to cause Plaintiffs to loan funds to and/or invest with the Defendants, and was despicable conduct that subjected Plaintiffs to cruel and unjust hardship in conscious disregard of its rights, so as to justify an award of exemplary and punitive damages.

#### FOURTH CAUSE OF ACTION

##### Negligent Misrepresentation

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

123. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

124. Defendants owed the Plaintiffs a duty to exercise reasonable care. By virtue of the acts stated herein, Defendants breached their duty of reasonable care to the Plaintiffs and acted carelessly, negligently and /or recklessly so as to expose the Plaintiffs to an unreasonable risk of harm. Defendants knew or in the exercise of reasonable care should have known their actions and omissions posed an unreasonable risk of harm of which the Plaintiffs were unaware.

125. Defendants' failure to exercise reasonable care and breach of their duties owed to the Plaintiffs caused damage to the Plaintiffs, including severe emotional distress, as set forth below. Had Defendants exercised reasonable care Plaintiffs would not have been damaged.

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**FIFTH CAUSE OF ACTION****Breach of Contract**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis, Sean Runnels and Gene O'Brien, Esq.)

126. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

127. Plaintiffs and Defendants entered into Agreements described herein, true and correct copies of which are attached hereto and incorporated herein. Plaintiffs fulfilled all of their obligations under the Agreements. By their actions as set forth herein, Defendants breached the Agreements. In particular, the Defendants never paid the Plaintiffs the promised interest payments, nor the principal, in connection with the December 2011 \$200,000 loan; February 2012 \$70,000 loan; June 2012 \$150,000 loan; July 2012 \$1,390,000 loan; March 2013 \$200,000 loan; and, June 2013 \$800,000.

128. Plaintiffs have incurred damages as a proximate result of the actions of Defendants in the amount of approximately \$2,810,000, as set forth herein.

**SIXTH CAUSE OF ACTION****Breach of the Implied Covenant of Good Faith and Fair Dealing**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

129. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

130. By the activities set forth in the foregoing paragraphs, Defendants breached their duty to deal fairly and in good faith with Plaintiffs.

131. Plaintiffs have been damaged by the conduct of Defendants in the amount of approximately \$2,810,000, as set forth herein.



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(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

133. Defendants owed Plaintiffs a duty to exercise reasonable care.

135. Defendants' failure to exercise reasonable care and breach of their respective  
owed to Plaintiffs caused damage to them. Had Defendants exercised reasonable care,  
ffs would not have been damaged.

## Conversion

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

137. As a result of the previously alleged acts, Defendants have converted property of  
ffs to their own use and benefit.

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**NINTH CAUSE OF ACTION**  
**Professional Negligence**  
(Against Defendant Gene O'Brien, Esq.)

139. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

140. Defendant O'Brien represented Defendant VLP Capital as its legal counsel in connection with the transactions described herein, and by extension the Plaintiffs at the times they were the sole shareholders of Defendant VLP Capital.

141. Defendant O'Brien owed Defendant VLP Capital, and by extension the Plaintiffs a duty of care. Defendant O'Brien acted carelessly, negligently and/or recklessly, and breached that duty of care via errors and omissions below the standard of care for attorneys, thereby causing damage to VLP Capital, and by extension the Plaintiffs.

142. Defendant O'Brien's failure to exercise reasonable care and breach of his duties owed to VLP Capital and the Plaintiffs caused damage to them. Had Defendant O'Brien exercised reasonable care, VLP Capital and the Plaintiffs would not have been damaged.

**TENTH CAUSE OF ACTION**  
**Breach of Fiduciary Duty**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis, Sean Runnels and Gene O'Brien, Esq.)

143. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

144. Pursuant to the July 4, 2012 agreement and transaction described herein, Plaintiffs became the sole shareholders of Defendant VLP Capital. Plaintiffs were and remain presently the sole shareholders of Defendant VLP Capital. As of August 1, 2013, Plaintiff Cathy Rollo became a member of the Board of Directors of Defendant VLP Capital.

///

1 145. The Individual Defendants were, at all relevant times, Board Members of each of  
2 the Entity Defendants, including Defendant VLP Capital and owed a fiduciary duty to Plaintiffs.  
3 As a result, among other things, the Individual Defendants were required to place Plaintiffs'  
4 interests as shareholders above their own interests and to exercise a duty of care and loyalty.

5  
6 146. In addition, as a result of Plaintiff Cathy Rollo's Board Membership, the other  
7 Individual Defendant Board Members owed Plaintiff Cathy Rollo a fiduciary duty.

8 147. During the time Individual Defendants owed Plaintiffs a fiduciary obligation,  
9 without notice or disclosure to Plaintiffs, the Defendants engaged in multiple fraudulent  
10 transactions, self-dealing, numerous corporate acts without any disclosure to Plaintiffs, and  
11 engaged in a series of material misrepresentations and material omissions designed to steal  
12 Plaintiffs' funds and loot Defendant VLP Capital.

13  
14 148. These undisclosed transactions were between Defendant VLP Capital and the  
15 Individual Defendants who were individual members of the Board of Directors of Defendant  
16 VLP Capital. The Individual Defendant Board Members breached their duties of care and  
17 loyalty by using their position as Board Members to enrich themselves and defraud Defendant  
18 VLP Capital and Plaintiffs.

19 149. The Individual Defendant Board Members entered into material contracts and  
20 material transactions with Defendant VLP Capital where they or corporations in which they held  
21 a material interest were parties and such contracts and transactions were not disclosed to  
22 Plaintiffs or any disinterested shareholders, and were never approved by any disinterested Board  
23 Members. Further, the transactions among Defendant VLP Capital and the Individual Defendant  
24 Board Members were not designed for any valid corporate purpose but solely to enrich the Board  
25 Members at the expense of the Plaintiffs and Defendant VLP Capital.

26  
27 ///

150. The transactions constituted self-dealing between Defendant VLP Capital and the Individual Defendant Board Members and were unfair to Defendant VLP Capital and the Plaintiffs. The transactions are therefore void.

151. As members of the Board of Directors of the Defendant VLP Capital, and the other Entity Defendants, Defendants Brayshaw, Runnels and Nyhuis acted in bad faith with a conscious and intentional disregard for their fiduciary duties and with an intent to harm the Plaintiffs. The Individual Defendants knowingly and completely failed to undertake their responsibilities as Board Members of VLP Capital, and the other Entity Defendants.

152. The Supreme Court held in *SEC v. Capital Gains Research Bureau, Inc.* (1963) 375 U.S. 180 that an investment adviser owes a fiduciary duty to its client by operation of law. Defendants owed Plaintiffs a duty to refrain from taking actions adverse to the interests of Plaintiffs, and making any misleading statements or omitting to state any material facts relevant to any securities or transactions recommended by Defendants.

153. By the activities set forth herein, Defendants breached their fiduciary duties owed to Plaintiffs, and Plaintiffs have been damaged, as set forth herein.

**ELEVENTH CAUSE OF ACTION**  
**Negligent Infliction of Emotional Distress**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

154. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

155. By virtue of their relationship to Plaintiffs, Defendants owed them a duty to exercise reasonable care. Defendants' actions described herein constitute a breach of their duty to exercise reasonable care and were, at a minimum, grossly negligent. Defendants' negligence directly caused Plaintiffs Cathy and Tony Rollo to suffer serious emotional distress.

156. Plaintiffs Cathy and Tony Rollo have been damaged as a direct and proximate result of Defendants' conduct, as set forth herein. Had Defendants acted with reasonable care, Plaintiffs Cathy and Tony Rollo would not have been damaged.

## **TWELFTH CAUSE OF ACTION**

### **Unjust Enrichment**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

157. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

158. A benefit was conferred on Defendants by Plaintiffs as set forth herein. Among other things, Plaintiffs invested their life savings with the Defendants and loaned the Defendants the amount of at least \$2,810,000, which enabled Defendant VLP Capital to purchase, among other things, the DDGC and the Pulte Land. Plaintiffs' demands for the return of their funds have been refused by the Defendants, despite that at all times, and as recently as June 2016, the Defendants falsely represented to the Plaintiffs that their loans were safe, secured by land, and would shortly be repaid.

159. In all events, the benefit conferred by Plaintiffs was received by Defendants, and it would inequitable for Defendants to retain those benefits without payment to Plaintiffs.

160. Plaintiffs are entitled to damages as set forth herein.

## **THIRTEENTH CAUSE OF ACTION**

### **Violation of 11 U.S.C. §§544 and 550 and California Civil Code §§3439.04(a) and 3439.05 (Fraudulent Transfer)**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

161. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

1 162. Plaintiffs owned one-hundred percent (100%) of the outstanding shares of  
2 Defendant VLP Capital. Defendants transferred assets belonging to VLP Capital in the form of,  
3 among other things, interests in DDGC and the Pulte Land to, among others, Defendants the  
4 REIT, the Regional Center, CFHC, AMAG, Inc., R2H, LLC, Richard Bilos Medical Corporation  
5 and GMS Developments, LLC, with knowledge that the assets were the valuable property of  
6 owned by Defendant VLP Capital.  
7

8 163. Plaintiffs are informed and believe that no consideration was paid, or inadequate  
9 consideration was paid, for those assets, thus constituting a fraudulent transfer and a fraud on  
10 creditors and potential creditors, including Plaintiffs, in violation of 11 U.S.C. §§544 and 550  
11 and California Civil Code §§3439.04(a) and 3439.05, among other statutes and authority.  
12

13 164. By the Defendants' activities, Plaintiffs have been damaged, as set forth herein.  
14

15 **FOURTEENTH CAUSE OF ACTION**  
16 **Violation of California Corporations Code §25110**  
17 **(Sale of Unqualified Securities)**

18 (Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP  
19 Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC,  
20 DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP,  
21 GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)  
22

23 165. Plaintiffs incorporate herein by reference the allegations set forth herein in their  
24 entirety.  
25

26 166. California Corporations Code §25110 provides in pertinent part: It is unlawful for  
27 any person to offer or sell in this state any security in an issuer transaction . . . unless such sale  
28 has been qualified under Section 25111, 25112, or 25113 . . . or unless such security or  
transaction is exempted or not subject to qualification under Chapter 1 (commencing with  
section 25100) of this part." The investments described herein offered and sold by Defendants  
constitute "securities" within the meaning of California Corporations Code §25019.

///

1 167. Defendants "offered and sold" the securities within the State of California within  
2 the meaning of California Corporations Code §§25008 and 25017. The California Corporations  
3 Commissioner has not issued a permit or other form of qualification authorizing Defendants to  
4 offer and sell the subject securities in the State of California. The offer and sale of the subject  
5 securities are not exempt from the requirement of qualification under California Corporations  
6 Code §25110.

7  
8 168. Plaintiffs have been damaged by the conduct of Defendants as set forth herein.  
9 Plaintiffs are entitled to rescind such purchase and recover damages.

10 **FIFTEENTH CAUSE OF ACTION**  
11 **Violation of California Corporations Code §§309 and 316**  
12 **(Breach of Fiduciary Duty)**

(Against Defendants Glen Brayshaw, Michael Nyhuis and Sean Runnels)

13 169. Plaintiffs incorporate herein by reference the allegations set forth herein in their  
14 entirety.

15 170. The Individual Defendants were, at all relevant times, Board Members of each of  
16 the Entity Defendants, including Defendant VLP Capital, and thus owed fiduciary duties to  
17 Plaintiffs requiring the Individual Defendants to act in good faith, honestly, with loyalty and in a  
18 prudent manner as required by California Corporations Code §309, among other statutes.

19  
20 171. Among other duties owed to the Plaintiffs, the Individual Defendant Board  
21 Members owed Plaintiffs fiduciary duties not to approve any corporate action of the Entity  
22 Defendants, including Defendant VLP Capital, resulting in the distribution of assets in violation  
23 of California Corporations Code §309, 310, 315 and 500, *et seq.*

24  
25 172. During the time Individual Defendants owed Plaintiffs a fiduciary obligation,  
26 without notice or disclosure to Plaintiffs, the Defendants engaged in multiple fraudulent  
27 transactions, self-dealing, and numerous corporate acts without any disclosure to Plaintiffs  
28 designed to steal Plaintiffs' funds and loot Defendant VLP Capital.



173. The Individual Defendant Board Members breached their duties of care and loyalty by using their position as Board Members to enrich themselves and defraud VLP Capital and Plaintiffs.

174. As a proximate cause of the Individual Defendant Board Members' breach of their fiduciary duties, Plaintiffs have been damaged in the amounts described herein.

**SIXTEENTH CAUSE OF ACTION**  
**Violation of §202(a)(11) of The Investment Advisers Act of 1940 and**  
**California Corporations Code §25230**  
**(Liability for Operating as an Unregistered Investment Adviser)**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

175. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

176. Section 202(a)(11) of The Investment Advisers Act of 1940, 15 U.S.C. §80b-2(a)(11), defines an Investment Adviser as "a person who, for compensation, engages in the business of advising others about securities." SEC Release IA 1092 states that registration as an Investment Adviser is required when the following three conditions are met: (1) if advice or analysis regarding securities is offered; (2) if the entity is "in the business" of giving such advice; and, (3) if the advice is provided for compensation.

177. California Corporations Code §25009 defines an Investment Adviser as "any person who, for compensation, engages in the business of advising others, either directly or indirectly through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing or selling securities, or who, for compensation and as a part of a regular business, publishes analyses or reports concerning securities."

///

///

178. California Corporations Code §25230(a) provides: “It is unlawful for any investment adviser to conduct business as an investment adviser in this state unless the investment adviser has first applied for and secured from the commissioner a certificate, then in effect, authorizing the investment adviser to do so or unless the investment adviser is exempt by the provisions of Chapter 1 (commencing with Section 25200) of this part or unless the investment adviser is subject to Section 25230.1.” By their actions described herein, Defendants operated as unregistered Investment Advisers under both federal and California law.

179. Plaintiffs have incurred damages as a proximate result of Defendants’ actions, as set forth herein.

#### SEVENTEENTH CAUSE OF ACTION

##### **Violation of 15 U.S.C. §78a, *et seq.* and California Corporations Code §25210 (Liability for Operating as an Unregistered Broker-Dealer)**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

180. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

181. Section 3 (a)(4)(A) of The 1934 Act defines a “broker” as any person engaged in the business of effecting transactions in securities for the account of others. 15 U.S.C. §78a, *et seq.* California Corporations Code §25210(b) provides that “[n]o person shall, on behalf of a broker-dealer . . . or on behalf of an issuer, effect any transaction in, or induce or attempt to induce the purchase or sale of, any security in this state unless that . . . agent ha[s] complied with any rules as the commissioner may adopt for the qualification and employment of those agents.”

182. By their actions described herein, Defendants operated as unregistered Broker-Dealers. At all relevant times, no Defendant held the required license to sell securities or was registered with the State of California, the SEC or FINRA.

1 183. At all relevant times, no Individual Defendant held a Series 7 or Series 65 license,  
2 or maintained registration under the rules of the Financial Industry Regulatory Authority  
3 ("FINRA"). Defendants' conduct as described herein required them to be licensed as securities  
4 Broker-Dealers. Defendants' unlicensed activities as a Broker-Dealer violate federal and  
5 California securities laws.

6  
7 184. Plaintiffs have incurred damages as a proximate result of Defendants' actions, as  
8 set forth herein.

9  
10 **EIGHTEENTH CAUSE OF ACTION**  
11 **Violation of California Corporations Code §310**

12 (Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP  
13 Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC,  
14 DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP,  
15 GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

16 185. Plaintiffs incorporate herein by reference the allegations set forth herein in their  
17 entirety.

18 186. Pursuant to the July 4, 2012 agreement and transaction described herein,  
19 Plaintiffs became the sole shareholders of Defendant VLP Capital. Plaintiffs were and remain  
20 presently the sole shareholders of Defendant VLP Capital.

21 187. During the time that the Plaintiffs were the sole shareholders of VLP Capital, the  
22 Defendants engaged in multiple fraudulent transactions, self-dealing, and numerous corporate  
23 acts without any disclosure to Plaintiffs or shareholder approval, each of which were intended by  
24 the Defendants to steal the Plaintiffs' funds and loot Defendant VLP Capital.

25 188. Plaintiffs, as VLP Capital's sole shareholders, are entitled to void those fraudulent  
26 transactions and corporate acts pursuant to California Corporations Code §310, as those  
27 transactions were unreasonable and unfair to the Plaintiffs, and were not made in good faith.

28 189. Plaintiffs have incurred damages as a proximate result of Defendants' actions, as  
set forth herein.

**NINETEENTH CAUSE OF ACTION**  
**15 U.S.C. §78t(a) and California Corporations Code §25504**  
**(Control Person Liability)**

(Against Defendants Glen Brayshaw, Michael Nyhuis, Sean Runnels)

190. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

191. All of the acts and omissions stated herein were undertaken by the Individual Defendants as control persons of the Entity Defendants, as that term is used in Section 20(a) of The 1934 Act, 15 U.S.C. §78t(a), and California Corporations Code §25504, among other statutes.

192. The Individual Defendants are liable as control persons of the Entity Defendants, pursuant to Section 20(a) of the 1934 Act, 15 U.S.C. §78t(a), and California Corporations Code §25504, among other statutes, for the acts and omissions of the Entity Defendants, and consequent damage, as set forth herein.

**TWENTIETH CAUSE OF ACTION**

**Accounting**

(Against Defendants VLP Capital, Inc., VLP Capital, Inc., Nevada, VLP Capital, LLC, VLP Management, Ltd., Desert Dunes Management, LLC, DDGC Holdings, Ltd., DDGC Operations, Ltd., Desert Dunes Condos, LP, GMS Developments, LLC, Glen Brayshaw, Michael Nyhuis and Sean Runnels)

193. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

194. Plaintiffs are informed and believe that monies due and owing them by Defendants are unaccounted for or are missing. The amounts owed are unknown to Plaintiffs and cannot be ascertained without an accounting by Defendants. Plaintiffs do not have sufficient information to determine the amount owed. Defendants have complete records and have refused to produce them.

///

COMPLAINT FOR DAMAGES, DECLARATORY RELIEF AND INJUNCTIVE RELIEF

- 43 -

**TWENTY-FIRST CAUSE OF ACTION****Declaratory Relief**

(Against all Defendants)

195. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

196. An actual case or controversy exists between Defendants and Plaintiffs concerning title to real properties described herein, and Defendant VLP Capital, Inc. Plaintiffs seek a determination of their right to title to the real properties described herein and Defendant VLP Capital, Inc.

**TWENTY-SECOND CAUSE OF ACTION****Injunctive Relief**

(Against all Defendants)

197. Plaintiffs incorporate herein by reference the allegations set forth herein in their entirety.

198. Defendants' wrongful conduct described herein, unless and until enjoined and restrained by Order of this Court, will cause great and irreparable injury to Plaintiffs, who will lose funds due to Defendants' improper and illegal acts.

199. Plaintiffs have no adequate remedy at law for the injuries currently being suffered or that are threatened in that it will be impossible for Plaintiffs to determine the precise amount of damage that they will suffer if Defendants' conduct is not restrained. Plaintiffs will continue to be damaged so long as Defendants' conduct continues and Defendants retain control over Plaintiffs' funds.

200. An injunction is necessary preventing Defendants from taking any actions, such as selling, refinancing, encumbering or otherwise transferring title to or undertaking any action affecting title to the real properties described herein until a judicial declaration is made regarding title to those real properties described herein.

## PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that this Court award them the following relief, including, but not limited to:

1. A Judicial Determination that Plaintiffs are the sole shareholders of Defendant VLP Capital, Inc. as of July 4, 2012 and record holders of all real property held by VLP Capital, Inc. after July 4, 2012, including the DDGC real property and the Pulte Land (collectively, the "VLP Capital, Inc. Property");
2. Reimbursement with interest at the legal rate of ten-percent (10%) of all funds obtained by Defendants relating to any assets held by Defendant VLP Capital, Inc. after July 4, 2012, including but not limited to any amount received by Defendants relating to any transaction, encumbrance or deeds of trust thereon since July 4, 2012;
3. Injunctive Relief preventing Defendants from taking any actions, including selling, refinancing, encumbering or otherwise transferring title to or undertaking any action affecting title to VLP Capital, Inc. Property until a judicial declaration is made regarding title to those real properties;
4. An accounting of all assets of Defendant VLP Capital, Inc. after July 4, 2012;
5. Punitive damages, reasonable and necessary attorney's fees and costs of suit;
6. Declaratory Relief described herein;
7. A Constructive Trust over any interest in the VLP Capital, Inc. Property obtained by the following Defendants after July 4, 2012 (when the Plaintiffs became the sole shareholders of Defendant VLP Capital, Inc., then the record owner of the VLP Capital, Inc. Property):
  - Vanguard Leisure Properties Real Estate Investment Trust (the REIT)
  - California East Coast Regional Center, LLC, USCIS Regional Center (the Regional Center)
  - California Foreign Investment and Immigration Center, LLC (CFIIC)
  - AMAG, Inc.
  - R2H, LLC
  - Richard Bilos Medical Corporation
8. Such other and further relief as this Court deems just and proper.

Alternatively, Plaintiffs request that this Court award them the following relief:

1. Compensatory damages in the amount of \$2,810,000;

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2. A Judicial Determination that Plaintiffs are entitled to damages in the amount of the highest fair market aggregate value of the assets of Defendant VLP Capital, Inc. since July 4, 2012, including but not limited to the VLP Capital, Inc. Property;
3. Reimbursement, with interest at the legal rate, of all funds obtained by Defendants relating to any assets held by Defendant VLP Capital, Inc., including but not limited to Defendant VLP Capital, Inc. Property as well as funds received by Defendants relating to any transaction, encumbrance or deeds of trust;
4. Return of all funds advanced by Plaintiffs with interest thereon at the legal rate of ten-percent (10%);
5. Punitive damages, reasonable and necessary attorney's fees and costs of suit;
6. Injunctive Relief preventing Defendants from taking any actions, including selling, refinancing, encumbering or otherwise transferring title to or undertaking any action affecting title to VLP Capital, Inc. Property until a judicial declaration is made regarding title to those real properties;
7. Declaratory described herein;
8. Restitution;
9. Rescission;
10. A Constructive Trust over any interest in the VLP Capital, Inc. Property obtained by the following Defendants after July 4, 2012 (when the Plaintiffs became the sole shareholders of Defendant VLP Capital, Inc., then the record owner of the VLP Capital, Inc. Property):
  - Vanguard Leisure Properties Real Estate Investment Trust (the REIT)
  - California East Coast Regional Center, LLC, USCIS Regional Center (the Regional Center)
  - California Foreign Investment and Immigration Center, LLC (CFIIC)
  - AMAG, Inc.
  - R2H, LLC
  - Richard Bilos Medical Corporation
11. An accounting for the assets of Defendant VLP Capital, Inc. as of and after July 4, 2012; and,

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///

///



12. Such other and further relief as this Court deems just and proper.

Dated: November 9, 2016

BALDWIN MADER LAW GROUP



By: \_\_\_\_\_

Patrick Baldwin, Esq.

Christopher Mader, Esq.

*Attorneys for Plaintiffs*

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Friday, May 19, 2017 11:28 AM  
**To:** Scotton, Anne (AADNC/AANDC); Self, Michael (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC)  
**Subject:** Re: Fwd: For Approval : Media Lines : Financial Review of Peguis First Nation in Manitoba (May 2017)

Anne

I agree with what you have suggested as it makes it clearer that the previous Chief was fully supportive of this work.

JM

>>> Anne Scotton 5/19/2017 11:23 AM >>>

can we add after "in June 2016, with the full cooperation of Peguis First Nation..." ?

Anne

*Anne Scotton*

Chief Audit and Evaluation Executive / Dirigeante principale de la vérification et de l'évaluation

Indigenous and Northern Affairs Canada/Affaires autochtones et du Nord Canada

10 Wellington, room/pièce 960

Gatineau Québec K1A 0H4

Tel: (819) 934-1581

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E-mail: [anne.scotton@aadnc-aadnc.gc.ca](mailto:anne.scotton@aadnc-aadnc.gc.ca)

>>> Michael Self 5/19/2017 11:14 AM >>>

Good morning Anne - possible to get your feedback/approval on the Peguis lines today? I've had to reference the draft a few times this week.

Thanks! Hope you have a great long weekend, too.

- Mike.

>>> Michael Self 5/17/2017 2:52 PM >>>

Hi Anne - just to follow-up on Pete's email: the SoW was released to APTN this morning. We'll let you know if anything more pops up in the media.

Appreciate your input/approval on the lines when you have a chance today/tomorrow.

Many thanks,

- Mike.

>>> Peter Nowlan 17/05/2017 10:09 AM >>>

Good Morning;

For your review and approval, please find below and attached the media lines for Peguis.

The lines have been approved by Phil Dupuis and Jean-Marc Lafreniere, as well as Catherine Francis (Comms Manager ESDPP/AE)

The SoW is being released to the journalist shortly, so I believe these lines should move quickly.

If you have any questions, please let me or Mike Self know.

Cheers,

Pete

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**INDIGENOUS AND NORTHERN AFFAIRS CANADA  
MEDIA LINES  
(not for external distribution - for use by spokespersons)**

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**ISSUE:**

Financial Review of Peguis First Nation in Manitoba (May 2017)

**KEY MESSAGES:**

- Indigenous and Northern Affairs Canada (INAC) takes allegations of misuse or mismanagement of public funds very seriously. The Department conducts investigations, financial reviews and forensic audits to ensure that public funds are being used in the manner for which they were intended.
- In 2015, the Department's Assessment and Investigation Services Branch (AISB) received allegations that federal funds provided to Peguis First Nation in Manitoba under a Treaty Land Entitlement agreement were not being used for their intended purposes.
- In particular, allegations were made with respect to a former Chief investing approximately \$22 million from the Band's trust fund into a questionable land purchase.
- In June 2016, INAC initiated a financial review at Peguis First Nation. The auditing firm Deloitte LLP was contracted for this work, which examined financial records of the band.
- As the financial review is ongoing, no further comment is available at this time.

If asked about possible involvement of The Usand Group:

- Allegations of the Usand Group's involvement is one of the areas being examined by the financial review. As the review is ongoing, it would be inappropriate to comment further at this time.

If asked for the difference between a financial review and a forensic audit:  
(PRE-APPROVED from May 2017 media response)

- A financial review and a forensic audit are not the same. A financial review is normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

If asked for a copy of the report, once finalized:

- A summary report of the review's findings may be posted on the Department's website in the future.
- For further details on the process for publishing forensic audit summary reports, please visit: <https://www.aadnc-aandc.gc.ca/eng/1410372601527/1410372632885>.

If asked about possible RCMP involvement:

- All questions related to any possible criminal investigation should be directed to the RCMP Division in Manitoba. Contact information is available at: <http://www.rcmp-grc.gc.ca/mb/cont/index-eng.htm>.

## **BACKGROUND**

Peguis First Nation is located approximately 145 kilometres north of Winnipeg, Manitoba. As of April 2017, the First Nation has an on-reserve population of approximately 3,432 and a total registered population of 10,099.

The First Nation has been the subject of past investigations by the Department since 2007. These investigations have centred on the inappropriate use of social assistance funds; overpayments to staff; loans, payments and write-offs relating to a former Chief and his relatives; inappropriate mortgages for individuals; ineligible education funding payments; and the salaries and honoraria of Chief and council. More recently, in 2012, the Department examined the band's financial records concerning flood-related funding from 2009-2012. KPMG was retained for a limited scope forensic audit of the flood funding. Detailed media lines are available in CIDM 4337523.

In 2008, members of Peguis First Nation voted to accept a historic land claim settlement with the Government of Canada, worth \$118 million, under the Treaty Land Entitlement (TLE) process. 75% of the settlement (approximately \$94.5 million) was placed in a trust fund for perpetuity, to be managed and owned by the First Nation.

In 2015, the Department received allegations regarding the misuse of TLE funds in this trust fund. Mainly that a large sum had been used for a land purchase, but no formal land title was given to the First Nation. The report related to this review is being finalized, and will be shared with the First Nation for fact verification in the coming months.

In May 2017, APTN reported that the RCMP has opened their own investigation into the possible misuse of funds at Peguis First Nation.

At the request of media, a copy of INAC's statement of work for the financial review will be provided.

## DESIGNATED SPOKESPERSONS

Media Relations (or the regional office)	Indigenous and Northern Affairs Canada (INAC)
<b><u>PRIMARY HQ CONTACT</u></b> Media Inquiries Lines Media Relations (819) 953-1160	<b><u>PRIMARY SPOKESPERSON</u></b>  Anne Scotton, CAEE (819) 934-1581

### Approvals:

Phil Dupuis, Director, Risk Management – May 5, 2017

Jean-Marc Lafrenière, Director, AISB – May 5, 2017

Catherine Francis, Manager, ESDPP/AE Communications – tbd

Manitoba Region – FYI – tbd

Anne Scotton, CAEE – tbd

Guy Levac, A/Sr Director, Communications – tbd

Lesia Manchulenko, A/DG, Communications – tbd

MB region – FYI – tbd

### Created by:

Michael Self, A/Sr Communications Advisor, 613-853-5349

Date: May 2017

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Thursday, May 18, 2017 3:19 PM  
**To:** Self, Michael (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC); Scotton, Anne (AADNC/AANDC); Nowlan2, Peter (AADNC/AANDC)  
**Subject:** Re: Fwd: Media Inquiry - APTN on USAND

Fine.

>>> Michael Self 5/18/2017 3:13 PM >>>

Thanks. We can let reporter know that informally.

So is this accurate to say? Addition in bold and underline. Are we just sharing with Peg or other FNs?

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The report related to this review is being finalized, and will be shared with **Peguis First Nation** for fact verification in the coming months.

>>> Jean-Marc Lafreniere 18/05/2017 3:08 PM >>>

The Peguis statement of work includes the work related to Usand:

### **Interviews and Analysis Regarding potential inappropriate payments by USAND Group to PFN or its representatives**

JM

>>>> Michael Self 5/18/2017 3:00 PM >>>>

Thanks JM. Do we have a statement of work that we can share (like Peguis)? Obviously at your discretion, and (I'd suggest) Phil sharing with his counterpart in ATIP for sensitivities.

**If** we have something we'll be in a position to share in the next week or so, I'd suggest the following for approval:

The report related to this review is being finalized, and will be shared with the First Nation for fact verification in the coming months.

The Terms of Reference are being reviewed for privacy concerns before they can be shared.

>>> Jean-Marc Lafreniere 18/05/2017 2:56 PM >>>

Michael

I suggest we say the same thing we said in the recent media lines for Peguis i.e. "The report related to this review is being finalized, and will be shared with the First Nation for fact verification in the coming months".

JM

>>> Michael Self 5/18/2017 2:17 PM >>>

Phil/J-M - we've received another inquiry from the reporter on the Usand group. We responded in January to say our review work was still ongoing. I believe a draft report was due by Deloitte on March 31, 2017.

Do we have any update to provide? Reporter is looking for a copy of the terms of reference (likely inquiring based on the mention of Usand in the Peguis SoW we provided).

**Deadline is ASAP.**

Thanks,

- Mike.

APTN, 613.567.1550 613.294.2011, @aptn.ca - Received May 18, deadline is asap -  
A&E - USAND - Is USAND still under a separate INAC investigation? And can you give me the terms of reference for that?



## Hemish, Anne (AADNC/AANDC)

---

**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Wednesday, May 17, 2017 5:20 PM  
**To:** Scotton, Anne (AADNC/AANDC)  
**Subject:** Fwd: FW: Request for Proposal  
**Attachments:** NCR-#9711625-v1-PETERS\_FN\_-\_SOW.doc

Anne

APTN is asking for a copy of the SoW for Peters First Nation. There is nothing in it that I would consider confidential (see below for the review objective and scope). Do you have any issue with sharing this (you may recall we recently shared with them the Peguis SoW)?

JM

### Objective and Scope

The purpose of the financial review is to provide an independent and objective opinion as to whether the funds provided by INAC have been used for their intended purposes.

More specifically, the objectives of this engagement are to:

Gain an understanding of the allegations made by the complainant and obtain any supporting documentation from them;

Provide Chief and Council an opportunity to raise any concerns that they may have in relation to the band's expenditures

Examine PFN's financial records for fiscal years 2013-14 to 2015-16 to determine if the allegations can be substantiated or refuted,

Determine the amount of INAC funding, if any, that was misappropriated during that period.

Write a report providing a summary of the work performed and findings. This should include a summary of how the misappropriation, if any, took place, an assessment of INAC funding that was misappropriated, if any, and recommendations for improvements to the Band's financial controls.

The scope of this engagement may be expanded or reduced at INAC's discretion at any phase of the engagement, based on factors including, but not limited to:

The availability of documentation,

The availability of persons with relevant information,

Additional areas identified during the engagement.

May 1, 2017

## Statement of Work – Financial Review Peters First Nation

### Background

#### Indigenous and Northern Affairs Canada (INAC)

INAC has primary, but not exclusive, responsibility for meeting the federal government's constitutional, treaty, political and legal responsibilities to First Nations, Inuit and Northerners. To fulfill this mandate, INAC works collaboratively with First Nations, Inuit and Northerners, as well as with other federal departments and agencies, provinces and territories.

#### Assessment and Investigation Services Branch (AISB) Mandate

AISB's mandate is to provide oversight and assurance that INAC funds are used for the intended purpose, as well as confirm or refute allegations of fraud, misappropriation, gross mismanagement or other forms of criminal activity.

AISB addresses, through this process, the interests of other federal departments, and, where appropriate, develops opportunities for joint ventures. It also identifies issues and concerns, and documents "lessons learned".

AISB's mandate is achieved through the provision of professional assessment and investigation services that are fair, efficient, effective, unbiased and respectful of Canada's Aboriginal and Northern peoples and INAC employees. AISB also promotes transparency and accountability among INAC funding recipients and within INAC itself.

#### Peter's First Nation (PFN)

PFN is located in Hope, BC. PFN is a Section 10 band and controls its own membership list. Per INAC's website PFN has a registered population of 165 members, 44 of whom live on reserve. PFN holds its election under the Indian Act and is governed by 1 Chief and 2 Councillors. INAC understand that the current members of Chief and Council are family members, as the Chief is the sister to both of the Councillors.

PFN received \$266,186 in 2015-2016 and \$284,626 in 2014-2015 in funding from INAC and received qualified audit opinions for both years.

AISB has received allegations of financial mismanagement, furthermore, Peter's First Nation has been the subject of a news article prepared by APTN which alleges mismanagement of INAC funding.

### Requirements and objectives

#### Objective and Scope

The purpose of the financial review is to provide an independent and objective opinion as to whether the funds provided by INAC have been used for their intended purposes.

More specifically, the objectives of this engagement are to:

1. Gain an understanding of the allegations made by the complainant and obtain any supporting documentation from them;

2. Provide Chief and Council an opportunity to raise any concerns that they may have in relation to the band's expenditures
3. Examine PFN's financial records for fiscal years 2013-14 to 2015-16 to determine if the allegations can be substantiated or refuted,
4. Determine the amount of INAC funding, if any, that was misappropriated during that period.
5. Write a report providing a summary of the work performed and findings. This should include a summary of how the misappropriation, if any, took place, an assessment of INAC funding that was misappropriated, if any, and recommendations for improvements to the Band's financial controls.

The scope of this engagement may be expanded or reduced at INAC's discretion at any phase of the engagement, based on factors including, but not limited to:

- The availability of documentation,
- The availability of persons with relevant information,
- Additional areas identified during the engagement.

## Proposal

The Contractor will be required to develop a work plan that will consist of:

- An estimate of the activities and resources required, including travel time, to examine documents, gather evidence, conduct interviews, and to produce reports;
- A breakdown of the resource requirements, including roles and responsibilities of each resource assigned;
- Project work breakdown, key project milestones, deliverables and project costs; and
- If applicable, complete and submit the Contractor portion of the Task Authorization Form in accordance with the provisions of the Task Authorization Clause.

## Task and activities

The Contractor is expected to perform the following tasks:

Planning phase:

- Confirm, at an initial meeting, the description of work, communication and project management protocols with the AISB Project Authority;
- Identify and review relevant background documentation;
- Identify potential planning interviews and scheduling;
- Identify, assess and document risks;
- Finalize project plan and develop examination schedule and methodology.

#### Examination Phase:

- Conduct interviews;
- Examine individual files and transactions;
- Obtain electronic copies of accounting data and general ledgers;
- Analyze and synthesize results of examination phase;
- Draft summary of findings;
- Debrief AISB Director.

#### Reporting Phase:

- Develop draft report including findings, key issues, conclusions and recommendations;
- Develop final report.

### Notes

- All work, scope, task and activities that may be required will be documented as either an amendment to the Task Authorization or executed through a new Task Authorization as the case may be.

### Communication (all Phases)

The Contractor is responsible to provide AISB staff with regular progress/status reports as determined by the Project Manager; reporting on progress will be conducted using methods acceptable to the Project Manager. Progress reports must include the reporting of significant issues and recommendations for corrective action required and follow-up action.

It is the responsibility of the Contractor to immediately make the Project Manager aware of any serious issues or findings encountered in the course of this assignment and to facilitate and maintain regular communication with AISB.

Communication is defined as all reasonable efforts to inform AISB of plans, decisions, proposed approaches, implementation, and results of work, to ensure that the project is progressing well and in accordance with expectations.

Communication may include phone calls, electronic mail, faxes, mailings, and meetings. In addition, the Contractor is to immediately notify AISB of any issues, problems or areas of concern in relation to any work completed under the Task Authorization, as they arise.

### Specification and standards

- All deliverables are to be in MS Word or MS Word compatible, properly indexed, spell-checked and cross referenced in a format approved by the Project Manager;
- All documentation must be compatible with Microsoft Office products;
- Acceptance of the final deliverable(s) will be made by the Project Manager; and
- Forensic audit work must be conducted in accordance with the Government of Canada Audit Standards stipulated in Treasury Board Internal Audit policies.

### Deliverables

- Written and oral briefings, as needed
- Regular progress/status reports to the Project Manager
- Draft report
- Final report

## **Roles and responsibilities of required resources**

INAC expects that the Contractor will assign the tasks required in this requirement to the appropriate respective level, experience and category.

## **PWGSC pre-approved PASS SA resource list**

All resources proposed against any Task Authorization pursuant to the INAC Forensic Audit Contract must be listed on the pre-approved list maintained by PWGSC.

Should the Contractor need to add a resource(s) to the PASS SA pre-approved list, they must contact PWGSC directly and submit the CV of the proposed resource for review to the PWGSC contracting authority.

With the exception of the partner category, a resource qualified with any firm on the list for a specific category is considered to be pre-approved even if the resource was originally qualified through another firm.

INAC is not the intermediary between PWGSC and the Contractor for request to add proposed resources to the PWGSC pre-approved PASS SA resource list. INAC simply contacts PWGSC to verify the proposed resources are in fact on the pre-approved list.

PWGSC PASS contracting authority

Martine Lamarche, 819-420-0729, fax 819-997-2229, email: [martine.lamarche@tpsgc-pwgsc.gc.ca](mailto:martine.lamarche@tpsgc-pwgsc.gc.ca)

## **Government provided support**

At the outset of the contract, the Project Manager will provide relevant background information, documents. Every attempt will be made throughout the course of the contract to provide additional information requested by the Contractor, if deemed relevant to the project. In addition, the Project Manager will be available to respond to inquiries from the Contractor. The Contractor will be provided with access to the Project Manager and staff as required and to the necessary documents.

- AISB will be responsible for providing, as required, guidance to the Contractor, and accepting and approving Contractor deliverables on behalf of INAC. Additionally, as required for the completion of the work, AISB will:
- Ensure that appropriate subject-matter experts and stakeholders from within INAC are available to the Contractor, as required, to provide input, answer questions, evaluate deliverables and participate in meetings;
- Provide reference and supporting documentation to the Contractor;
- Review and provide comments on draft report and all submitted deliverables in a timely manner;
- Provide contact information and facilitate access to INAC stakeholders, as required, for the completion of the assigned work;
- Arrange for the Contractor to be on INAC or funding recipient premises to provide services when necessary; and
- Provide the Contractor with other as-required assistance to enable the Contractor to proceed on schedule with the completion of assigned deliverables.

## **Project management**

The Contractor will report only to the Project Manager as instructed by INAC when the Task Authorization is awarded.

The Project Manager for this project Jean-Marc Lafrenière, Director, Assessment and Investigation Services Branch.

## **Method and source of acceptance**

The Project Manager will accept the draft executive summary and supporting documentation, and subsequent modification to it by e-mail and in hard copy.

All proposed amendments must include a detailed explanation as to why the amendment is required, as well as a detailed work plan and detailed budget. Any changes to the work plan will be subject to INAC approval.

## **Change management procedures**

Additional review and enquiry may be approved as required for matters that come to our attention during the course of the investigation.

Any additional work will be considered as a separate tasking. Any changes in scope or level of effort have to be approved by the Project Manager or his designate in writing.

## **Location of work and travel requirements**

The services will be performed at the PFN, at the Contractor's own premises, and at other locations as deemed necessary.

Meetings with INAC may be required at INAC Headquarters in the NCR and INAC will not reimburse the costs to attend meetings in the National Capital Region (NCR) of Canada. All travel outside the Contractor's normal place of business will be reimbursed in accordance with Treasury Board Policies and allowances and in accordance with the terms and condition of the PASS SA and the Contract from which this Task Authorization is issued from.

Note: All expenses (travel, living and incidental) must be approved by the Project Manager in writing prior to them being incurred by the Contractor. Failure to do so may result in the Contractor not being reimbursed the expenses claimed. All expenses must be supported by original receipts.

## **Language of work**

As a Department of the federal government, INAC is required under the *Official Languages Act* to provide its services in either official language of Canada.

The language for this work will be English.

## **Personnel and/Corporate Security requirements**

It is a condition that, prior to performance of any obligation under any Task Authorization resulting from this Request for Proposal, the Contractor and sub-contractors and their employees assigned to the performance of such contract will be security cleared by the federal government at the Secret level.

Note: Proof of valid secret security clearance must be provided at submission of proposal.

## **Ownership of Intellectual Property**

The Crown will retain any intellectual Property and copyrights arising from this contract pursuant to TBS IP Policy Section 6.2 and 6.4.

- Exception 6.2, where statutes, regulations, or prior obligations of the Crown to a third party or parties preclude Contractor ownership of the Foreground; and
- Exception 6.4.1, where the main purpose of the Crown Procurement Contract or of the deliverables contracted for, is to generate knowledge and information for public dissemination.

## Special requirements

This requirement is considered confidential and the Contractor and its resource(s) must adhere to strict confidentiality and non-disclosure terms and conditions outlined in the contract and SACC manual in relation to any materials of information contained or information learned during the execution of the contract.

### Key deliverables (expected dates)

Draft report      by July 31, 2017

### Notes

Milestones will be approved, in writing, by the Project Manager.

The Project Manager understands that certain variables and factors may influence the ability of the Contractor to complete the tasks in the period specified. Any extensions or modifications to the timelines must be approved by the Project Manager.

The Task Authorization will be awarded pursuant to the terms and conditions of the applicable PWGSC PASS Supply Arrangement and the contract with the Contractor.

Monthly detailed invoices for time (including level of effort for each resource and category who carried out the work to achieve the milestones claimed) and billing for travel are to be submitted promptly and are subject to Government of Canada payment policies.



## Hemish, Anne (AADNC/AANDC)

---

**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Monday, May 15, 2017 3:15 PM  
**To:** Nowlan2, Peter (AADNC/AANDC)  
**Subject:** Re: For Approval : CAEE - Peguis media lines.

Yes.

>>> Peter Nowlan 5/15/2017 3:12 PM >>>  
Hi Jean-Marc;

Are you okay with the lines, if I make the changes you suggest?

Thanks,

Pete

>>> Jean-Marc Lafreniere 5/15/2017 3:07 PM >>>

1) "Allegations of the Usand Group...." is not clear to me. I suggested we state "Allegations of Usand Group's involvement...."

2) RCMP is divided across Canada into Divisions. I suggest RCMP Division in Manitoba as opposed to Manitoba Division of the RCMP

>>> Peter Nowlan 5/15/2017 2:16 PM >>>  
Good Afternoon;

Attached and below please find our revised media lines in regards to Peguis.

These lines have incorporated your requested changes. Would you please review and approve, and I will continue the lines up the approvals chain?

Thanks,

Pete

---

**INDIGENOUS AND NORTHERN AFFAIRS CANADA  
MEDIA LINES  
(not for external distribution - for use by spokespersons)**

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### ISSUE:

Financial Review of Peguis First Nation in Manitoba (May 2017)

## KEY MESSAGES:

- Indigenous and Northern Affairs Canada (INAC) takes allegations of misuse or mismanagement of public funds very seriously. The Department conducts investigations, financial reviews and forensic audits to ensure that public funds are being used in the manner for which they were intended.
- In 2015, the Department's Assessment and Investigation Services Branch (AISB) received allegations that federal funds provided to Peguis First Nation in Manitoba under a Treaty Land Entitlement agreement were not being used for their intended purposes.
- In particular, allegations were made with respect to a former Chief investing approximately \$22 million from the Band's trust fund into a questionable land purchase.
- In June 2016, INAC initiated a financial review at Peguis First Nation. The auditing firm Deloitte LLP was contracted for this work, which examined financial records of the band.
- As the financial review is ongoing, no further comment is available at this time.

### If asked about possible involvement of The Usand Group:

- Allegations of the Usand Group is one of the areas being examined by the financial review. As the review is ongoing, it would be inappropriate to comment further at this time.

### If asked for the difference between a financial review and a forensic audit: (PRE-APPROVED from May 2017 media response)

- A financial review and a forensic audit are not the same. A financial review is normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

### If asked for a copy of the report, once finalized:

- A summary report of the review's findings may be posted on the Department's website in the future.
- For further details on the process for publishing forensic audit summary reports, please visit: <https://www.aadnc-aandc.gc.ca/eng/1410372601527/1410372632885>.

### If asked about possible RCMP involvement:

- All questions related to any possible criminal investigation should be directed to the Manitoba Division of the RCMP. Contact information is available at: <http://www.rcmp-grc.gc.ca/mb/cont/index-eng.htm>.

## BACKGROUND

Peguis First Nation is located approximately 145 kilometres north of Winnipeg, Manitoba. As of April 2017, the First Nation has an on-reserve population of approximately 3,432 and a total registered population of 10,099.

The First Nation has been the subject of past investigations by the Department since 2007. These investigations have centred on the inappropriate use of social assistance funds; overpayments to staff; loans, payments and write-offs relating to a former Chief and his relatives; inappropriate mortgages for individuals; ineligible education funding payments; and the salaries and honoraria of Chief and council. More recently, in 2012, the Department examined the band's financial records concerning flood-related funding from 2009-2012. KPMG was retained for a limited scope forensic audit of the flood funding. Detailed media lines are available in CIDM 4337523.

In 2008, members of Peguis First Nation voted to accept a historic land claim settlement with the Government of Canada, worth \$118 million, under the Treaty Land Entitlement (TLE) process. 75% of the settlement (approximately \$94.5 million) was placed in a trust fund for perpetuity, to be managed and owned by the First Nation.

In 2015, the Department received allegations regarding the misuse of TLE funds in this trust fund. Mainly that a large sum had been used for a land purchase, but no formal land title was given to the First Nation. The report related to this review is being finalized, and will be shared with the First Nation for fact verification in the coming months.

In May 2017, APTN reported that the RCMP has opened their own investigation into the possible misuse of funds at Peguis First Nation.

At the request of media, a copy of INAC's statement of work for the financial review will be provided.

## DESIGNATED SPOKESPERSONS

Media Relations (or the regional office)	Indigenous and Northern Affairs Canada (INAC)
<b><u>PRIMARY HQ CONTACT</u></b> Media Inquiries Lines Media Relations (819) 953-1160	<b><u>PRIMARY SPOKESPERSON</u></b>  Anne Scotton, CAEE (819) 934-1581

### Approvals:

Phil Dupuis, Director, Risk Management – tbd

Jean-Marc Lafrenière, Director, AISB – tbd

Catherine Francis, Manager, ESDPP/AE Communications – tbd

Manitoba Region – FYI – tbd

Anne Scotton, CAEE – tbd  
Guy Levac, A/Sr Director, Communications – tbd  
Lesia Manchulenko, A/DG, Communications – tbd  
MB region – FYI – tbd

**Created by:**

Michael Self, A/Sr Communications Advisor, 613-853-5349

Date: May 2017

**Hemish, Anne (AADNC/AANDC)**

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**From:** Dupuis, Phil (AADNC/AANDC)  
**Sent:** Monday, May 15, 2017 2:22 PM  
**To:** Nowlan2, Peter (AADNC/AANDC); Lafreniere, Jean-Marc (AADNC/AANDC)  
**Cc:** Self, Michael (AADNC/AANDC)  
**Subject:** Re: For Approval : CAEE - Peguis media lines.

Peter,

The lines are fine from my perspective.

Regards,

Phil

Phil Dupuis  
Director, Risk Management  
Directeur, gestion des risques  
Audit and Evaluation Sector | Secteur de la vérification et de l'évaluation  
Indigenous and Northern Affairs Canada  
Affaires autochtones et du Nord Canada  
819.997.8147 (o/b)  
613.852-2381 (c)  
613.852.2381 (c)  
[phil.dupuis@aadnc-aadnc.gc.ca](mailto:phil.dupuis@aadnc-aadnc.gc.ca)  
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---

**INDIGENOUS AND NORTHERN AFFAIRS CANADA  
MEDIA LINES  
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**ISSUE:**

## Financial Review of Peguis First Nation in Manitoba (May 2017)

### KEY MESSAGES:

- Indigenous and Northern Affairs Canada (INAC) takes allegations of misuse or mismanagement of public funds very seriously. The Department conducts investigations, financial reviews and forensic audits to ensure that public funds are being used in the manner for which they were intended.
- In 2015, the Department's Assessment and Investigation Services Branch (AISB) received allegations that federal funds provided to Peguis First Nation in Manitoba under a Treaty Land Entitlement agreement were not being used for their intended purposes.
- In particular, allegations were made with respect to a former Chief investing approximately \$22 million from the Band's trust fund into a questionable land purchase.
- In June 2016, INAC initiated a financial review at Peguis First Nation. The auditing firm Deloitte LLP was contracted for this work, which examined financial records of the band.
- As the financial review is ongoing, no further comment is available at this time.

### If asked about possible involvement of The Usand Group:

- Allegations of the Usand Group is one of the areas being examined by the financial review. As the review is ongoing, it would be inappropriate to comment further at this time.

### If asked for the difference between a financial review and a forensic audit: (PRE-APPROVED from May 2017 media response)

- A financial review and a forensic audit are not the same. A financial review is normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

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## BACKGROUND

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The First Nation has been the subject of past investigations by the Department since 2007. These investigations have centred on the inappropriate use of social assistance funds; overpayments to staff; loans, payments and write-offs relating to a former Chief and his relatives; inappropriate mortgages for individuals; ineligible education funding payments; and the salaries and honoraria of Chief and council. More recently, in 2012, the Department examined the band's financial records concerning flood-related funding from 2009-2012. KPMG was retained for a limited scope forensic audit of the flood funding. Detailed media lines are available in CIDM 4337523.

In 2008, members of Peguis First Nation voted to accept a historic land claim settlement with the Government of Canada, worth \$118 million, under the Treaty Land Entitlement (TLE) process. 75% of the settlement (approximately \$94.5 million) was placed in a trust fund for perpetuity, to be managed and owned by the First Nation.

In 2015, the Department received allegations regarding the misuse of TLE funds in this trust fund. Mainly that a large sum had been used for a land purchase, but no formal land title was given to the First Nation. The report related to this review is being finalized, and will be shared with the First Nation for fact verification in the coming months.

In May 2017, APTN reported that the RCMP has opened their own investigation into the possible misuse of funds at Peguis First Nation.

At the request of media, a copy of INAC's statement of work for the financial review will be provided.

## DESIGNATED SPOKESPERSONS

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### Approvals:

Phil Dupuis, Director, Risk Management – tbd

Jean-Marc Lafrenière, Director, AISB – tbd

Catherine Francis, Manager, ESDPP/AE Communications – tbd

Manitoba Region – FYI – tbd



Anne Scotton, CAEE – tbd  
Guy Levac, A/Sr Director, Communications – tbd  
Lesia Manchulenko, A/DG, Communications – tbd  
MB region – FYI – tbd

**Created by:**

Michael Self, A/Sr Communications Advisor, 613-853-5349

Date: May 2017

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Monday, May 15, 2017 2:06 PM  
**To:** Dupuis, Phil (AADNC/AANDC); Self, Michael (AADNC/AANDC)  
**Cc:** Nowlan2, Peter (AADNC/AANDC)  
**Subject:** Re: For approval -> CAEE - PEGUIS - MEDIA LINES (ENG)

Phil is correct that we are not looking at the merits of the business venture, but we are looking at the joint venture between Peguis and the Manitoba Jockey Club, which included the land purchase. So I am OK with referring to it as a questionable business venture.

>>> Michael Self <Michael.Self@aadnc-aandc.gc.ca> 5/15/2017 1:25 PM >>>  
Thanks Phil. Will wait for word from JM

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Phil Dupuis  
**Sent:** Monday, May 15, 2017 1:19 PM  
**To:** Michael Self; Jean-Marc Lafreniere  
**Subject:** Re: For approval -> CAEE - PEGUIS - MEDIA LINES (ENG)

Mike,

I have reviewed the draft lines and they look fine. My only suggestion would be to adjust the third bullet to read:

- *In particular, allegations were made with respect to a former Chief expending approximately \$22 million from the Band's trust fund for a questionable land purchase.*

As I understand it the land purchase was "questionable" in terms of its legitimacy but we would not have assessed the merits of the business venture.

That said, I will defer to Jean-Marc on whether this change is required.

Phil

Phil Dupuis  
Director, Risk Management  
Directeur, gestion des risques  
Audit and Evaluation Sector | Secteur de la vérification et de l'évaluation  
Indigenous and Northern Affairs Canada  
Affaires autochtones et du Nord Canada  
619.997.8147 (o/b)  
613.852-2381 (c)  
613.852.2381 (c)  
[phil.dupuis@aadnc-aandc.gc.ca](mailto:phil.dupuis@aadnc-aandc.gc.ca)

>>> Michael Self 5/15/2017 11:51 AM >>>  
Jean-Marc/Phil,

For your approval please: media lines on Peguis FN. These are proactive, to support the release of the statement of work.

**Possible to get back for this afternoon?** Will circulate to Anne once I have the OK from you two.

Many thanks,

- Mike.

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**INDIGENOUS AND NORTHERN AFFAIRS CANADA  
MEDIA LINES  
(not for external distribution - for use by spokespersons)**

---

**ISSUE:**

Financial Review of Peguis First Nation in Manitoba (May 2017)

**KEY MESSAGES:**

- Indigenous and Northern Affairs Canada (INAC) takes allegations of misuse or mismanagement of public funds very seriously. The Department conducts investigations, financial reviews and forensic audits to ensure that public funds are being used in the manner for which they were intended.
- In 2015, the Department's Assessment and Investigation Services Branch (AISB) received allegations that federal funds provided to Peguis First Nation in Manitoba under a Treaty Land Entitlement agreement were not being used for their intended purposes.
- In particular, allegations were made with respect to a former Chief investing approximately \$22 million from the Band's trust fund into a questionable business venture. It was alleged that funds were used for a land purchase, without the First Nation itself receiving title to any property.
- In June 2016, INAC initiated a financial review at Peguis First Nation. The auditing firm Deloitte LLP was contracted for this work, which examined financial records of the band.
- As the financial review is ongoing, no further comment is available at this time.

*If asked about possible involvement of The Usand Group:*

- Allegations concerning potential inappropriate payments by The USAND Group are one of the areas being examined by the financial review. As the review is ongoing, it would be inappropriate to comment further at this time.

*If asked for the difference between a financial review and a forensic audit:  
(PRE-APPROVED from May 2017 media response)*

- A financial review and a forensic audit are not the same. A financial review is normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

*If asked for a copy of the report, once finalized:*

- The full audit report will contain personal information and cannot be publicly released, in accordance with the *Privacy Act*. A summary report of the report's findings may be posted on the Department's website in the future.
- For further details on the process for publishing forensic audit summary reports, please visit: <https://www.aadnc-aandc.gc.ca/eng/1410372601527/1410372632885>.

*If asked about possible RCMP involvement:*

- All questions related to any possible criminal investigation should be directed to the Manitoba detachment of the RCMP. Contact information is available at: <http://www.rcmp-grc.gc.ca/mb/cont/index-eng.htm>.

## BACKGROUND

Peguis First Nation is located approximately 145 kilometres north of Winnipeg, Manitoba. As of April 2017, the First Nation has an on-reserve population of approximately 3,432 and a total registered population of 10,099.

The First Nation has been the subject of past investigations by the Department since 2007. These investigations have centred on the inappropriate use of social assistance funds; overpayments to staff; loans, payments and write-offs relating to a former Chief and his relatives; inappropriate mortgages for individuals; ineligible education funding payments; and the salaries and honoraria of Chief and council. More recently, in 2012, the Department examined the band's financial records concerning flood-related funding from 2009-2012. KPMG was retained for a limited scope forensic audit of the flood funding. Detailed media lines are available in CIDM 4337523.

In 2008, members of Peguis First Nation voted to accept a historic land claim settlement with the Government of Canada, worth \$118 million, under the Treaty Land Entitlement (TLE) process. 75% of the settlement (approximately \$94.5 million) was placed in a trust fund for perpetuity, to be managed and owned by the First Nation.

In 2015, the Department received allegations regarding the misuse of TLE funds in this trust fund. Mainly that a large sum had been used for a land purchase, but no formal land title was given to the First Nation. The report related to this investigation is being finalized, and will be shared with the First Nation for fact verification in the coming months.

In May 2017, APTN reported that the RCMP has opened their own investigation into the possible misuse of funds at Peguis First Nation.

At the request of media, a copy of INAC's statement of work for the financial review will be provided.

## DESIGNATED SPOKESPERSONS

Media Relations (or the regional office)	Indigenous and Northern Affairs Canada (INAC)
<b><u>PRIMARY HQ CONTACT</u></b> Media Inquiries Lines Media Relations (819) 953-1160	<b><u>PRIMARY SPOKESPERSON</u></b>  Anne Scotton, CAEE (819) 934-1581

Approvals:

Phil Dupuis, Director, Risk Management – tbd

Jean-Marc Lafrenière, Director, AISB – tbd

Catherine Francis, Manager, ESDPP/AE Communications – tbd

Manitoba Region – FYI – tbd

Anne Scotton, CAEE – tbd

Guy Levac, A/Sr Director, Communications – tbd

Lesia Manchulenko, A/DG, Communications – tbd

**Created by:**

Michael Self, A/Sr Communications Advisor, 613-853-5349

Date: May 2017

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Friday, May 12, 2017 2:52 PM  
**To:** Dupuis, Phil (AADNC/AANDC)  
**Subject:** Peguis

<http://aptnnews.ca/2017/05/08/manitoba-rcmp-probe-of-peguis-trust-fund-dollar-use-on-hold-pending-federal-financial-review/>

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Friday, May 12, 2017 9:39 AM  
**To:** Self, Michael (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC); Scotton, Anne (AADNC/AANDC)  
**Subject:** Re: For director input/approval -> CAEE - PEGUIS - MEDIA LINES (ENG)

Michael

Ref. 4th bullet in Key Messages, the work by Deloitte does not cover a specific period. I would suggest therefore we state "The auditing firm Deloitte LLP was contracted for this work, which examined financial records of the Band."

For the background where we mention the reporting, I suggest: "The report related to the investigation is being finalized, and will be shared with the First Nation for fact verification in the coming months."

Chrono. on Peguis files will be sent later today.

JM

>>> Michael Self 5/11/2017 1:59 PM >>>

**Anne** - FYI only for now, unless there's anything that catches your eye. Will send for formal approval tomorrow/Monday.

**Jean-Marc/Phil** - I've attached a draft copy of the lines, with a few updates since our discussion yesterday. I've left yellow highlight on a few areas that need your attention, mainly in the background, but also with respect to the period of time the review encompasses, and a status update on where the review is at now (I believe, from the papers you provided, a draft report was due March 31st). **Feel free to add in any additional info you see fit to include.**

We should aim to have these proactive lines in place to support the possible release of the SoW early next week. I'll check with Min Liaison here to see if MinO has to approve releasing the document too... if that's the case, they may want a briefing (or at minimum, a copy of the approved lines), but we'll see. Best to be prepared.

Happy to discuss further. Appreciate the continued help on this one.

- Mike.

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**INDIGENOUS AND NORTHERN AFFAIRS CANADA  
MEDIA LINES  
(not for external distribution - for use by spokespersons)**

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### ISSUE:

Financial Review of Peguis First Nation in Manitoba (May 2017)

### KEY MESSAGES:

- Indigenous and Northern Affairs Canada (INAC) takes allegations of misuse or mismanagement of public funds very seriously. The Department conducts investigations, financial reviews and forensic audits to ensure that public funds are being used in the manner for which they were intended.



- In 2015, the Department's Assessment and Investigation Services Branch (AISB) received allegations that federal funds provided to Peguis First Nation in Manitoba under a Treaty Land Entitlement agreement were not being used for their intended purposes.
- In particular, allegations were made with respect to a former Chief investing approximately \$22 million from the Band's trust fund into a questionable business venture. It was alleged that funds were used for a land purchase, without the First Nation itself receiving title to any property.
- In June 2016, INAC initiated a financial review at Peguis First Nation. The auditing firm Deloitte LLP was contracted for this work, which examined financial records of the band from (YEAR)-(YEAR).
- As the financial review is ongoing, no further comment is available at this time.

If asked about possible involvement of The Usand Group:

- Allegations concerning potential inappropriate payments by The USAND Group are one of the areas being examined by the financial review. As the review is ongoing, it would be inappropriate to comment further at this time.

If asked for difference between financial review and forensic audit: (PRE-APPROVED from May 2017 media response)

- A financial review and a forensic audit are not the same. A financial review is normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

If asked for a copy of the report, once finalized:

- The full audit report will contain personal information and cannot be publicly released, in accordance with the Privacy Act. A summary report of the report's findings may be posted on the Department's website in the future.
- For further details on the process for publishing forensic audit summary reports, please visit: <https://www.aadnc-aandc.gc.ca/eng/1410372601527/1410372632885>.

If asked about possible RCMP involvement:

- All questions related to any possible criminal investigation should be directed to the Manitoba detachment of the RCMP. Contact information is available at: <http://www.rcmp-grc.gc.ca/mb/cont/index-eng.htm>.

## BACKGROUND

Peguis First Nation is located approximately 145 kilometres north of Winnipeg, Manitoba. As of April 2017, the First Nation has an on-reserve population of approximately 3,432 and a total registered population of 10,099.

The First Nation has been the subject of past investigations by the federal government. (Info on past investigations – J-M to provide timeline)

In 2008, members of Peguis First Nation voted to accept a historic land claim settlement with the Government of Canada, worth \$118 million, under the Treaty Land Entitlement (TLE) process. 75% of the settlement (approximately \$94.5 million) was placed in a trust fund for perpetuity, to be managed and owned by the First Nation.

In 2015, the Department received allegations regarding the misuse of TLE funds in this trust fund. Mainly that a large sum had been used for a land purchase, but no formal land title was given to the First Nation. After an initial scoping exercise, the Department ordered a financial review to be completed by an auditing firm, with a draft report due by March 31, 2017. The report is now in the fact verification stage, and will be shared with the current Chief of Peguis First Nation for feedback in the coming months.

In May 2017, APTN reported that the RCMP has opened their own investigation into the possible misuse of funds at Peguis First Nation.

At the request of media, a copy of INAC's statement of work for the financial review will be provided.

## DESIGNATED SPOKESPERSONS

Media Relations (or the regional office)	Indigenous and Northern Affairs Canada (INAC)
<b><u>PRIMARY HQ CONTACT</u></b> Media Inquiries Lines Media Relations (819) 953-1160	<b><u>PRIMARY SPOKESPERSON</u></b>  Anne Scotton, CAEE (819) 934-1581

## Approvals:

Phil Dupuis, Director, Risk Management – tbd  
Jean-Marc Lafrenière, Director, AISB – tbd  
Catherine Francis, Manager, ESDPP/AE Communications – tbd  
Manitoba Region – tbd  
Anne Scotton, CAEE – tbd  
Guy Levac, A/Sr Director, Communications – tbd  
Lesia Manchulenko, A/DG, Communications – tbd  
MB region – FYI – tbd

**Created by:**

Michael Self, Communications Advisor, 613-853-5349

Date: May 2017

## Hemish, Anne (AADNC/AANDC)

---

**From:** Lafrenière, Jean-Marc (AADNC/AANDC)  
**Sent:** Thursday, May 11, 2017 10:21 AM  
**To:** Self, Michael (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC); Scotton, Anne (AADNC/AANDC)  
**Subject:** Fwd: NCR-#8750306-v1-STATEMENT\_OF\_WORK\_PEGUIS\_INVESTIGATION  
**Attachments:** NCR-#8750306-v1-STATEMENT\_OF\_WORK\_PEGUIS\_INVESTIGATION.doc

Michael

See attached the original SOW for the investigation (the draft media lines refer to a financial review) at Peguis. The work began in early June 2016. I continue to work on the chronology of audits and investigations back to 2008.

Jean-Marc

>>> Donna Young 5/10/2017 11:19 AM >>>  
Hi JM,

Attached is the May 19, 2016 initial version of the SOW.

Donna

**PROTECTED**

May 19, 2016

## **Statement of Work – Investigation Peguis First Nation, MB**

### **Background**

#### **Indigenous Affairs and northern Development Canada (INAC)**

INAC has primary, but not exclusive, responsibility for meeting the federal government's constitutional, treaty, political and legal responsibilities to First Nations, Inuit and Northerners. To fulfill this mandate, INAC works collaboratively with First Nations, Inuit and Northerners, as well as with other federal departments and agencies, provinces and territories.

#### **Assessment and Investigation Services Branch (AISB) Mandate**

AISB's mandate is to provide oversight and assurance that INAC funds are used for the intended purpose, as well as confirm or refute allegations of fraud, misappropriation, gross mismanagement or other forms of criminal activity.

AISB addresses, through this process, the interests of other federal departments, and, where appropriate, develops opportunities for joint ventures. It also identifies issues and concerns, and documents "lessons learned".

AISB's mandate is achieved through the provision of professional assessment and investigation services that are fair, efficient, effective, unbiased and respectful of Canada's Aboriginal and Northern peoples and INAC employees. AISB also promotes transparency and accountability among INAC funding recipients and within INAC itself.

#### **Peguis First Nation**

After nearly 11 years of negotiations, members of Peguis First Nation voted to accept a historic land-claim settlement worth \$118 million. The settlement was the largest single claim of its kind in Canada.

In 1998, the federal government conceded the land was taken illegally, setting off years of negotiations before a proposed settlement was finalized in 2008. Seventy-five per cent of the settlement -- roughly \$94.5 million -- will be put in a trust fund for perpetuity,

### **Requirements and objectives**

#### **Objective and Scope**

AISB received allegations that the previous Chief invested approximately \$22 million dollars, from the First Nation trust fund, into a questionable business venture. More specifically, the funds were to be used for a land purchase. However, the First Nation has not received title to any property.

#### **Proposal**

The Contractor will be required to develop a work plan that will consist of:

- An estimate of the activities and resources required, including travel time, to examine documents, gather evidence, conduct interviews, and to produce reports;

- A breakdown of the resource requirements per month, including roles and responsibilities of each resource assigned;
- Project work breakdown, key project milestones, deliverables and project costs; and
- If applicable, complete and submit the Contractor portion of the Task Authorization Form in accordance with the provisions of the Task Authorization Clause.

## **Task and activities**

The Contractor is expected to perform the following tasks:

### **Planning Phase**

- Confirm, at an initial meeting, the description of work, communication and project management protocols with the AISB Project Authority;
- Identify and review relevant background documentation;
- Identify potential planning interviews and scheduling;
- Identify, assess and document risks;
- Finalize project plan and develop examination schedule and methodology.

### **Interviews and Analysis Related to Land Settlement Claim Funds**

- Review of electronic information (email, electronic documents, etc.) collected at PFN;
- Travel from Ottawa to Peguis, Manitoba to attend at the PFN offices;
- Conduct meetings and interviews with PFN representatives (Chief, Councilors and other members as appropriate) and/or other individuals with direct knowledge of the matter to discuss issues/allegations and, collect additional documentation; and
- Analysis of information and documentation collected during site visit to PFN.

### **Interviews and Analysis Regarding potential inappropriate payments by USAND Group to PFN or its representatives**

- Review of electronic information (email, electronic documents, etc.) collected at PFN;
- Conduct meetings and interviews with PFN representatives (Chief, Councilors and other members as appropriate) and/or other individuals with direct knowledge of the matter to discuss issues/allegations and, collect additional documentation; and
- Analysis of information and documentation collected during site visit to PFN.

### **Reporting Phase**

- Regular communication with Project authority – email, telecons, and fax;
- Verbal briefings on findings;
- Preparation of draft report including findings, conclusions and recommendations; and
- Finalize reporting in consultation with the Project Authority.

## **Notes**

- All work, scope, task and activities that may be required will be documented as either an amendment to the Task Authorization or executed through a new Task Authorization as the case may be.

## Communication (all Phases)

The Contractor is responsible to provide AISB staff with regular progress/status reports as determined by the Project Manager; reporting on progress will be conducted using methods acceptable to the Project Manager. Progress reports must include the reporting of significant issues and recommendations for corrective action required and follow-up action.

**On a monthly basis, the firm is to provide a written update (very short) summarizing the status of the project, key observations so far and the next steps. The firm is also requested to provide a monthly estimate of the use of the resources per category.**

It is the responsibility of the Contractor to immediately make the Project Manager aware of any serious issues or findings encountered in the course of this assignment and to facilitate and maintain regular communication with AISB.

Communication is defined as all reasonable efforts to inform AISB of plans, decisions, proposed approaches, implementation, and results of work, to ensure that the project is progressing well and in accordance with expectations.

Communication may include phone calls, electronic mail, faxes, mailings, and meetings. In addition, the Contractor is to immediately notify AISB of any issues, problems or areas of concern in relation to any work completed under the Task Authorization, as they arise.

## Specification and standards

- All deliverables are to be in MS Word or MS Word compatible, properly indexed, spell-checked and cross referenced in a format approved by the Project Manager;
- All documentation must be compatible with Microsoft Office products;
- Acceptance of the final deliverable(s) will be made by the Project Manager; and
- Forensic audit work must be conducted in accordance with the Government of Canada Audit Standards stipulated in Treasury Board Internal Audit policies.

## Deliverables

- Written and oral briefings, as needed
- Regular progress/status reports to the Project Manager
- Draft report

## Roles and responsibilities of required resources

INAC expects that the Contractor will assign the tasks required in this requirement to the appropriate respective level, experience and category.

## PWGSC pre-approved PASS SA resource list

All resources proposed against any Task Authorization pursuant to the INAC Forensic Audit Contract must be listed on the pre-approved list maintained by PWGSC.

Should the Contractor need to add a resource(s) to the PASS SA pre-approved list, they must contact PWGSC directly and submit the CV of the proposed resource for review to the PWGSC contracting authority.



With the exception of the partner category, a resource qualified with any firm on the list for a specific category is considered to be pre-approved even if the resource was originally qualified through another firm.

INAC is not the intermediary between PWGSC and the Contractor for request to add proposed resources to the PWGSC pre-approved PASS SA resource list. INAC simply contacts PWGSC to verify the proposed resources are in fact on the pre-approved list.

PWGSC PASS contracting authority

Linda Harrison, 819-956-7509, fax 819-997-2229, email: linda.harrison@tpsgc-pwgsc.gc.ca

## **Government provided support**

At the outset of the contract, the Project Manager will provide relevant background information, documents. Every attempt will be made throughout the course of the contract to provide additional information requested by the Contractor, if deemed relevant to the project. In addition, the Project Manager will be available to respond to inquiries from the Contractor. The Contractor will be provided with access to the Project Manager and staff as required and to the necessary documents.

- AISB will be responsible for providing, as required, guidance to the Contractor, and accepting and approving Contractor deliverables on behalf of INAC. Additionally, as required for the completion of the work, AISB will:
- Ensure that appropriate subject-matter experts and stakeholders from within INAC are available to the Contractor, as required, to provide input, answer questions, evaluate deliverables and participate in meetings;
- Provide reference and supporting documentation to the Contractor;
- Review and provide comments on draft report and all submitted deliverables in a timely manner;
- Provide contact information and facilitate access to INAC stakeholders, as required, for the completion of the assigned work;
- Arrange for the Contractor to be on INAC or funding recipient premises to provide services when necessary; and
- Provide the Contractor with other as-required assistance to enable the Contractor to proceed on schedule with the completion of assigned deliverables.

## **Project management**

The Contractor will report only to the Project Manager as instructed by INAC when the Task Authorization is awarded.

The Project Manager for this project is Jean-Marc Lafreniere, A/ Director, Assessment and Investigation Services Branch.

## **Method and source of acceptance**

The Project Manager will accept the draft executive summary and supporting documentation and subsequent modification to it by e-mail and in hard copy.

All proposed amendments must include a detailed explanation as to why the amendment is required, as well as a detailed work plan and detailed budget. Any changes to the work plan will be subject to INAC approval.

## Change management procedures

Additional review and enquiry may be approved as required for matters that come to our attention during the course of the investigation.

Any additional work will be considered as a separate tasking. Any changes in scope or level of effort have to be approved by the Project Manager or his designate in writing.

## Location of work and travel requirements

The services will be performed at the Peguis First Nation, MB, at the Contractor's own premises, and at other locations as deemed necessary.

Meetings with INAC may be required at INAC Headquarters in the NCR and INAC will not reimburse the costs to attend meetings in the National Capital Region (NCR) of Canada. All travel outside the Contractor's normal place of business will be reimbursed in accordance with Treasury Board Policies and allowances and in accordance with the terms and conditions of the SA and the Contract from which this Task Authorization is issued from.

**Note: All expenses (travel, living and incidental) must be approved by the Project Manager in writing prior to them being incurred by the Contractor. Failure to do so may result in the Contractor not being reimbursed the expenses claimed. All expenses must be supported by original receipts.**

## Language of work

As a Department of the federal government, INAC is required under the *Official Languages Act* to provide its services in either official language of Canada.

The language for this work will be English.

## Personnel and/Corporate Security requirements

It is a condition that, prior to performance of any obligation under any Task Authorization resulting from this Request for Proposal, the Contractor and sub-contractors and their employees assigned to the performance of such contract will be security cleared by the federal government at the Secret level.

Note: Proof of valid secret security clearance must be provided at submission of proposal.

## Ownership of Intellectual Property

The Crown will retain any intellectual Property and copyrights arising from this contract pursuant to TBS IP Policy Section 6.2 and 6.4.

- Exception 6.2, where statutes, regulations, or prior obligations of the Crown to a third party or parties preclude Contractor ownership of the Foreground; and
- Exception 6.4.1, where the main purpose of the Crown Procurement Contract or of the deliverables contracted for, is to generate knowledge and information for public dissemination.

## Special requirements

This requirement is considered confidential and the Contractor and its resource(s) must adhere to strict confidentiality and non-disclosure terms and conditions outlined in the contract and SACC manual in

relation to of any materials of information contained or information learned during the execution of the contract.

Key deliverables (expected dates)

Draft report by: August 30, 2016.

**Notes**

Milestones will be approved, in writing, by the Project Manager.

The Project Manager understands that certain variables and factors may influence the ability of the Contractor to complete the tasks in the period specified. Any extensions or modifications to the timelines must be approved by the Project Manager.

The Task Authorization will be awarded pursuant to the terms and conditions of the applicable PWGSC PASS Supply Arrangement and the contract with the Contractor.

Monthly detailed invoices for time (including level of effort for each resource and category who carried out the work to achieve the milestones claimed) and billing for travel are to be submitted promptly and are subject to Government of Canada payment policies.

## Hemish, Anne (AADNC/AANDC)

---

**From:** Young, Donna (AADNC/AANDC)  
**Sent:** Wednesday, May 10, 2017 11:19 AM  
**To:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Cc:** Lavigne, Tara (AADNC/AANDC)  
**Subject:** NCR-#8750306-v1-STATEMENT\_OF\_WORK\_PEGUIS\_INVESTIGATION  
**Attachments:** NCR-#8750306-v1-STATEMENT\_OF\_WORK\_PEGUIS\_INVESTIGATION.doc  
  
**Importance:** High

Hi JM,

Attached is the May 19, 2016 initial version of the SOW.

Donna

**PROTECTED**

May 19, 2016

## **Statement of Work – Investigation Peguis First Nation, MB**

### **Background**

#### **Indigenous Affairs and northern Development Canada (INAC)**

INAC has primary, but not exclusive, responsibility for meeting the federal government's constitutional, treaty, political and legal responsibilities to First Nations, Inuit and Northerners. To fulfill this mandate, INAC works collaboratively with First Nations, Inuit and Northerners, as well as with other federal departments and agencies, provinces and territories.

#### **Assessment and Investigation Services Branch (AISB) Mandate**

AISB's mandate is to provide oversight and assurance that INAC funds are used for the intended purpose, as well as confirm or refute allegations of fraud, misappropriation, gross mismanagement or other forms of criminal activity.

AISB addresses, through this process, the interests of other federal departments, and, where appropriate, develops opportunities for joint ventures. It also identifies issues and concerns, and documents "lessons learned".

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#### **Peguis First Nation**

After nearly 11 years of negotiations, members of Peguis First Nation voted to accept a historic land-claim settlement worth \$118 million. The settlement was the largest single claim of its kind in Canada.

In 1998, the federal government conceded the land was taken illegally, setting off years of negotiations before a proposed settlement was finalized in 2008. Seventy-five per cent of the settlement -- roughly \$94.5 million -- will be put in a trust fund for perpetuity,

### **Requirements and objectives**

#### **Objective and Scope**

AISB received allegations that the previous Chief invested approximately \$22 million dollars, from the First Nation trust fund, into a questionable business venture. More specifically, the funds were to be used for a land purchase. However, the First Nation has not received title to any property.

#### **Proposal**

The Contractor will be required to develop a work plan that will consist of:

- An estimate of the activities and resources required, including travel time, to examine documents, gather evidence, conduct interviews, and to produce reports;

- A breakdown of the resource requirements per month, including roles and responsibilities of each resource assigned;
- Project work breakdown, key project milestones, deliverables and project costs; and
- If applicable, complete and submit the Contractor portion of the Task Authorization Form in accordance with the provisions of the Task Authorization Clause.

## **Task and activities**

The Contractor is expected to perform the following tasks:

### **Planning Phase**

- Confirm, at an initial meeting, the description of work, communication and project management protocols with the AISB Project Authority;
- Identify and review relevant background documentation;
- Identify potential planning interviews and scheduling;
- Identify, assess and document risks;
- Finalize project plan and develop examination schedule and methodology.

### **Interviews and Analysis Related to Land Settlement Claim Funds**

- Review of electronic information (email, electronic documents, etc.) collected at PFN;
- Travel from Ottawa to Peguis, Manitoba to attend at the PFN offices;
- Conduct meetings and interviews with PFN representatives (Chief, Councilors and other members as appropriate) and/or other individuals with direct knowledge of the matter to discuss issues/allegations and, collect additional documentation; and
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### **Interviews and Analysis Regarding potential inappropriate payments by USAND Group to PFN or its representatives**

- Review of electronic information (email, electronic documents, etc.) collected at PFN;
- Conduct meetings and interviews with PFN representatives (Chief, Councilors and other members as appropriate) and/or other individuals with direct knowledge of the matter to discuss issues/allegations and, collect additional documentation; and
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### **Reporting Phase**

- Regular communication with Project authority – email, telecons, and fax;
- Verbal briefings on findings;
- Preparation of draft report including findings, conclusions and recommendations; and
- Finalize reporting in consultation with the Project Authority.

## **Notes**

- All work, scope, task and activities that may be required will be documented as either an amendment to the Task Authorization or executed through a new Task Authorization as the case may be.

## **Communication (all Phases)**

The Contractor is responsible to provide AISB staff with regular progress/status reports as determined by the Project Manager; reporting on progress will be conducted using methods acceptable to the Project Manager. Progress reports must include the reporting of significant issues and recommendations for corrective action required and follow-up action.

**On a monthly basis, the firm is to provide a written update (very short) summarizing the status of the project, key observations so far and the next steps. The firm is also requested to provide a monthly estimate of the use of the resources per category.**

It is the responsibility of the Contractor to immediately make the Project Manager aware of any serious issues or findings encountered in the course of this assignment and to facilitate and maintain regular communication with AISB.

Communication is defined as all reasonable efforts to inform AISB of plans, decisions, proposed approaches, implementation, and results of work, to ensure that the project is progressing well and in accordance with expectations.

Communication may include phone calls, electronic mail, faxes, mailings, and meetings. In addition, the Contractor is to immediately notify AISB of any issues, problems or areas of concern in relation to any work completed under the Task Authorization, as they arise.

## **Specification and standards**

- All deliverables are to be in MS Word or MS Word compatible, properly indexed, spell-checked and cross referenced in a format approved by the Project Manager;
- All documentation must be compatible with Microsoft Office products;
- Acceptance of the final deliverable(s) will be made by the Project Manager; and
- Forensic audit work must be conducted in accordance with the Government of Canada Audit Standards stipulated in Treasury Board Internal Audit policies.

## **Deliverables**

- Written and oral briefings, as needed
- Regular progress/status reports to the Project Manager
- Draft report

## **Roles and responsibilities of required resources**

INAC expects that the Contractor will assign the tasks required in this requirement to the appropriate respective level, experience and category.

## **PWGSC pre-approved PASS SA resource list**

All resources proposed against any Task Authorization pursuant to the INAC Forensic Audit Contract must be listed on the pre-approved list maintained by PWGSC.

Should the Contractor need to add a resource(s) to the PASS SA pre-approved list, they must contact PWGSC directly and submit the CV of the proposed resource for review to the PWGSC contracting authority.

With the exception of the partner category, a resource qualified with any firm on the list for a specific category is considered to be pre-approved even if the resource was originally qualified through another firm.

INAC is not the intermediary between PWGSC and the Contractor for request to add proposed resources to the PWGSC pre-approved PASS SA resource list. INAC simply contacts PWGSC to verify the proposed resources are in fact on the pre-approved list.

PWGSC PASS contracting authority

Linda Harrison, 819-956-7509, fax 819-997-2229, email: linda.harrison@tpsgc-pwgsc.gc.ca

## **Government provided support**

At the outset of the contract, the Project Manager will provide relevant background information, documents. Every attempt will be made throughout the course of the contract to provide additional information requested by the Contractor, if deemed relevant to the project. In addition, the Project Manager will be available to respond to inquiries from the Contractor. The Contractor will be provided with access to the Project Manager and staff as required and to the necessary documents.

- AISB will be responsible for providing, as required, guidance to the Contractor, and accepting and approving Contractor deliverables on behalf of INAC. Additionally, as required for the completion of the work, AISB will:
- Ensure that appropriate subject-matter experts and stakeholders from within INAC are available to the Contractor, as required, to provide input, answer questions, evaluate deliverables and participate in meetings;
- Provide reference and supporting documentation to the Contractor;
- Review and provide comments on draft report and all submitted deliverables in a timely manner;
- Provide contact information and facilitate access to INAC stakeholders, as required, for the completion of the assigned work;
- Arrange for the Contractor to be on INAC or funding recipient premises to provide services when necessary; and
- Provide the Contractor with other as-required assistance to enable the Contractor to proceed on schedule with the completion of assigned deliverables.

## **Project management**

The Contractor will report only to the Project Manager as instructed by INAC when the Task Authorization is awarded.

The Project Manager for this project is Jean-Marc Lafreniere, A/ Director, Assessment and Investigation Services Branch.

## **Method and source of acceptance**

The Project Manager will accept the draft executive summary and supporting documentation and subsequent modification to it by e-mail and in hard copy.

All proposed amendments must include a detailed explanation as to why the amendment is required, as well as a detailed work plan and detailed budget. Any changes to the work plan will be subject to INAC approval.



## Change management procedures

Additional review and enquiry may be approved as required for matters that come to our attention during the course of the investigation.

Any additional work will be considered as a separate tasking. Any changes in scope or level of effort have to be approved by the Project Manager or his designate in writing.

## Location of work and travel requirements

The services will be performed at the Peguis First Nation, MB, at the Contractor's own premises, and at other locations as deemed necessary.

Meetings with INAC may be required at INAC Headquarters in the NCR and INAC will not reimburse the costs to attend meetings in the National Capital Region (NCR) of Canada. All travel outside the Contractor's normal place of business will be reimbursed in accordance with Treasury Board Policies and allowances and in accordance with the terms and conditions of the SA and the Contract from which this Task Authorization is issued from.

**Note: All expenses (travel, living and incidental) must be approved by the Project Manager in writing prior to them being incurred by the Contractor. Failure to do so may result in the Contractor not being reimbursed the expenses claimed. All expenses must be supported by original receipts.**

## Language of work

As a Department of the federal government, INAC is required under the *Official Languages Act* to provide its services in either official language of Canada.

The language for this work will be English.

## Personnel and/Corporate Security requirements

It is a condition that, prior to performance of any obligation under any Task Authorization resulting from this Request for Proposal, the Contractor and sub-contractors and their employees assigned to the performance of such contract will be security cleared by the federal government at the Secret level.

Note: Proof of valid secret security clearance must be provided at submission of proposal.

## Ownership of Intellectual Property

The Crown will retain any intellectual Property and copyrights arising from this contract pursuant to TBS IP Policy Section 6.2 and 6.4.

- Exception 6.2, where statutes, regulations, or prior obligations of the Crown to a third party or parties preclude Contractor ownership of the Foreground; and
- Exception 6.4.1, where the main purpose of the Crown Procurement Contract or of the deliverables contracted for, is to generate knowledge and information for public dissemination.

## Special requirements

This requirement is considered confidential and the Contractor and its resource(s) must adhere to strict confidentiality and non-disclosure terms and conditions outlined in the contract and SACC manual in

relation to of any materials of information contained or information learned during the execution of the contract.

Key deliverables (expected dates)

Draft report by: August 30, 2016.

**Notes**

Milestones will be approved, in writing, by the Project Manager.

The Project Manager understands that certain variables and factors may influence the ability of the Contractor to complete the tasks in the period specified. Any extensions or modifications to the timelines must be approved by the Project Manager.

The Task Authorization will be awarded pursuant to the terms and conditions of the applicable PWGSC PASS Supply Arrangement and the contract with the Contractor.

Monthly detailed invoices for time (including level of effort for each resource and category who carried out the work to achieve the milestones claimed) and billing for travel are to be submitted promptly and are subject to Government of Canada payment policies.

## Hemish, Anne (AADNC/AANDC)

---

**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Wednesday, May 10, 2017 10:32 AM  
**To:** Lavigne, Tara (AADNC/AANDC); Young, Donna (AADNC/AANDC)  
**Subject:** Fw: Re: Peguis

This is the revised SOW. I need the original as well.

>>> Donna Young 5/10/2017 10:28 AM >>>  
SOW is attached.

Donna

>>> Donna Young 5/5/2017 3:45:45 PM >>>  
Hi Phil,

As discussed, please find attached the Statement of Work for Peguis.  
Donna

>>> Donna Young 5/5/2017 1:01 PM >>>  
Hi Anne,

As requested by Jean-Marc, attached is the SOW for Peguis FN.

Donna

## Hemish, Anne (AADNC/AANDC)

---

**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Wednesday, May 10, 2017 10:26 AM  
**To:** Lavigne, Tara (AADNC/AANDC)  
**Cc:** Young, Donna (AADNC/AANDC)  
**Subject:** Fwd: Re: Peguis  
**Attachments:** NCR-#8750306-v4-STATEMENT\_OF\_WORK\_PEGUIS\_INVESTIGATION.doc

Tara

Please see if you can get a copy of the SOW for Peguis.

merci

JM

>>> Phil Dupuis 5/10/2017 10:13 AM >>>  
As discussed . . .

Phil Dupuis  
Director, Risk Management  
Directeur, gestion des risques  
Audit and Evaluation Sector | Secteur de la vérification et de l'évaluation  
Indigenous and Northern Affairs Canada  
Affaires autochtones et du Nord Canada  
819.997.8147 (o/b)  
613.852-2381 (c)  
613.852.2381 (c)  
[phil.dupuis@aadnc-aadnc.gc.ca](mailto:phil.dupuis@aadnc-aadnc.gc.ca)

>>> Donna Young 5/5/2017 3:45 PM >>>  
Hi Phil,

As discussed, please find attached the Statement of Work for Peguis.  
Donna

>>> Donna Young 5/5/2017 1:01 PM >>>  
Hi Anne,

As requested by Jean-Marc, attached is the SOW for Peguis FN.

Donna

**PROTECTED**  
February 15, 2017

## **Revised - Statement of Work – Investigation Peguis First Nation, MB**

### **Background**

#### **Indigenous Affairs and Northern Development Canada (INAC)**

INAC has primary, but not exclusive, responsibility for meeting the federal government's constitutional, treaty, political and legal responsibilities to First Nations, Inuit and Northerners. To fulfill this mandate, INAC works collaboratively with First Nations, Inuit and Northerners, as well as with other federal departments and agencies, provinces and territories.

#### **Assessment and Investigation Services Branch (AISB) Mandate**

AISB's mandate is to provide oversight and assurance that INAC funds are used for the intended purpose, as well as confirm or refute allegations of fraud, misappropriation, gross mismanagement or other forms of criminal activity.

AISB addresses, through this process, the interests of other federal departments, and, where appropriate, develops opportunities for joint ventures. It also identifies issues and concerns, and documents "lessons learned".

AISB's mandate is achieved through the provision of professional assessment and investigation services that are fair, efficient, effective, unbiased and respectful of Canada's Aboriginal and Northern peoples and INAC employees. AISB also promotes transparency and accountability among INAC funding recipients and within INAC itself.

#### **Peguis First Nation**

After nearly 11 years of negotiations, members of Peguis First Nation voted to accept a historic land-claim settlement worth \$118 million. The settlement was the largest single claim of its kind in Canada.

In 1998, the federal government conceded the land was taken illegally, setting off years of negotiations before a proposed settlement was finalized in 2008. Seventy-five per cent of the settlement -- roughly \$94.5 million -- will be put in a trust fund for perpetuity,

### **Requirements and objectives**

#### **Objective and Scope**

AISB received allegations that the previous Chief invested approximately \$22 million dollars, from the First Nation trust fund, into a questionable business venture. More specifically, the funds were to be used for a land purchase. However, the First Nation has not received title to any property.

#### **Proposal**

The Contractor will be required to develop a work plan that will consist of:

- An estimate of the activities and resources required, including travel time, to examine documents, gather evidence, conduct interviews, and to produce reports;

- A breakdown of the resource requirements per month, including roles and responsibilities of each resource assigned;
- Project work breakdown, key project milestones, deliverables and project costs; and
- If applicable, complete and submit the Contractor portion of the Task Authorization Form in accordance with the provisions of the Task Authorization Clause.

## **Task and activities**

The Contractor is expected to perform the following tasks:

### **Planning Phase**

- Confirm, at an initial meeting, the description of work, communication and project management protocols with the AISB Project Authority;
- Identify and review relevant background documentation;
- Identify potential planning interviews and scheduling;
- Identify, assess and document risks;
- Finalize project plan and develop examination schedule and methodology.

### **Interviews and Analysis Related to Land Settlement Claim Funds**

- Review of electronic information (email, electronic documents, etc.) collected at PFN;
- Travel from Ottawa to Peguis, Manitoba to attend at the PFN offices;
- Conduct meetings and interviews with PFN representatives (Chief, Councilors and other members as appropriate) and/or other individuals with direct knowledge of the matter to discuss issues/allegations and, collect additional documentation; and
- Analysis of information and documentation collected during site visit to PFN.

### **Interviews and Analysis Regarding potential inappropriate payments by USAND Group to PFN or its representatives**

- Review of electronic information (email, electronic documents, etc.) collected at PFN;
- Conduct meetings and interviews with PFN representatives (Chief, Councilors and other members as appropriate) and/or other individuals with direct knowledge of the matter to discuss issues/allegations and, collect additional documentation; and
- Analysis of information and documentation collected during site visit to PFN.

### **Reporting Phase**

- Regular communication with Project authority – email, telecons, and fax;
- Verbal briefings on findings;
- Preparation of draft report including findings, conclusions and recommendations; and
- Finalize reporting in consultation with the Project Authority.

## **Notes**

- All work, scope, task and activities that may be required will be documented as either an amendment to the Task Authorization or executed through a new Task Authorization as the case may be.

## Communication (all Phases)

The Contractor is responsible to provide AISB staff with regular progress/status reports as determined by the Project Manager; reporting on progress will be conducted using methods acceptable to the Project Manager. Progress reports must include the reporting of significant issues and recommendations for corrective action required and follow-up action.

**On a monthly basis, the firm is to provide a written update (very short) summarizing the status of the project, key observations so far and the next steps. The firm is also requested to provide a monthly estimate of the use of the resources per category.**

It is the responsibility of the Contractor to immediately make the Project Manager aware of any serious issues or findings encountered in the course of this assignment and to facilitate and maintain regular communication with AISB.

Communication is defined as all reasonable efforts to inform AISB of plans, decisions, proposed approaches, implementation, and results of work, to ensure that the project is progressing well and in accordance with expectations.

Communication may include phone calls, electronic mail, faxes, mailings, and meetings. In addition, the Contractor is to immediately notify AISB of any issues, problems or areas of concern in relation to any work completed under the Task Authorization, as they arise.

## Specification and standards

- All deliverables are to be in MS Word or MS Word compatible, properly indexed, spell-checked and cross referenced in a format approved by the Project Manager;
- All documentation must be compatible with Microsoft Office products;
- Acceptance of the final deliverable(s) will be made by the Project Manager; and
- Forensic audit work must be conducted in accordance with the Government of Canada Audit Standards stipulated in Treasury Board Internal Audit policies.

## Deliverables

- Written and oral briefings, as needed
- Regular progress/status reports to the Project Manager
- Draft report

## Roles and responsibilities of required resources

INAC expects that the Contractor will assign the tasks required in this requirement to the appropriate respective level, experience and category.

## PWGSC pre-approved PASS SA resource list

All resources proposed against any Task Authorization pursuant to the INAC Forensic Audit Contract must be listed on the pre-approved list maintained by PWGSC.

Should the Contractor need to add a resource(s) to the PASS SA pre-approved list, they must contact PWGSC directly and submit the CV of the proposed resource for review to the PWGSC contracting authority.

With the exception of the partner category, a resource qualified with any firm on the list for a specific category is considered to be pre-approved even if the resource was originally qualified through another firm.

INAC is not the intermediary between PWGSC and the Contractor for request to add proposed resources to the PWGSC pre-approved PASS SA resource list. INAC simply contacts PWGSC to verify the proposed resources are in fact on the pre-approved list.

PWGSC PASS contracting authority

Linda Harrison, 819-956-7509, fax 819-997-2229, email: linda.harrison@tpsgc-pwgsc.gc.ca

## **Government provided support**

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- Ensure that appropriate subject-matter experts and stakeholders from within INAC are available to the Contractor, as required, to provide input, answer questions, evaluate deliverables and participate in meetings;
- Provide reference and supporting documentation to the Contractor;
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- Arrange for the Contractor to be on INAC or funding recipient premises to provide services when necessary; and
- Provide the Contractor with other as-required assistance to enable the Contractor to proceed on schedule with the completion of assigned deliverables.

## **Project management**

The Contractor will report only to the Project Manager as instructed by INAC when the Task Authorization is awarded.

The Project Manager for this project is Jean-Marc Lafreniere, A/ Director, Assessment and Investigation Services Branch.

## **Method and source of acceptance**

The Project Manager will accept the draft executive summary and supporting documentation and subsequent modification to it by e-mail and in hard copy.

All proposed amendments must include a detailed explanation as to why the amendment is required, as well as a detailed work plan and detailed budget. Any changes to the work plan will be subject to INAC approval.



## Change management procedures

Additional review and enquiry may be approved as required for matters that come to our attention during the course of the investigation.

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## Location of work and travel requirements

The services will be performed at the Peguis First Nation, MB, at the Contractor's own premises, and at other locations as deemed necessary.

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**Note: All expenses (travel, living and incidental) must be approved by the Project Manager in writing prior to them being incurred by the Contractor. Failure to do so may result in the Contractor not being reimbursed the expenses claimed. All expenses must be supported by original receipts.**

## Language of work

As a Department of the federal government, INAC is required under the *Official Languages Act* to provide its services in either official language of Canada.

The language for this work will be English.

## Personnel and/Corporate Security requirements

It is a condition that, prior to performance of any obligation under any Task Authorization resulting from this Request for Proposal, the Contractor and sub-contractors and their employees assigned to the performance of such contract will be security cleared by the federal government at the Secret level.

Note: Proof of valid secret security clearance must be provided at submission of proposal.

## Ownership of Intellectual Property

The Crown will retain any intellectual Property and copyrights arising from this contract pursuant to TBS IP Policy Section 6.2 and 6.4.

- Exception 6.2, where statutes, regulations, or prior obligations of the Crown to a third party or parties preclude Contractor ownership of the Foreground; and
- Exception 6.4.1, where the main purpose of the Crown Procurement Contract or of the deliverables contracted for, is to generate knowledge and information for public dissemination.

## Special requirements

This requirement is considered confidential and the Contractor and its resource(s) must adhere to strict confidentiality and non-disclosure terms and conditions outlined in the contract and SACC manual in

relation to of any materials of information contained or information learned during the execution of the contract.

Key deliverables (expected dates)

Draft report by March 31, 2017.

**Notes**

Milestones will be approved, in writing, by the Project Manager.

The Project Manager understands that certain variables and factors may influence the ability of the Contractor to complete the tasks in the period specified. Any extensions or modifications to the timelines must be approved by the Project Manager.

The Task Authorization will be awarded pursuant to the terms and conditions of the applicable PWGSC PASS Supply Arrangement and the contract with the Contractor.

Monthly detailed invoices for time (including level of effort for each resource and category who carried out the work to achieve the milestones claimed) and billing for travel are to be submitted promptly and are subject to Government of Canada payment policies.

## Hemish, Anne (AADNC/AANDC)

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**From:** Self, Michael (AADNC/AANDC)  
**Sent:** Wednesday, May 10, 2017 9:36 AM  
**To:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC); Scotton, Anne (AADNC/AANDC)  
**Subject:** APTN story

Making sure you saw this one from Monday (sorry for the flood-related delay).

<http://aptnnews.ca/2017/05/08/manitoba-rcmp-probe-of-peguis-trust-fund-dollar-use-on-hold-pending-federal-financial-review/>

## Manitoba RCMP probe of Peguis trust fund dollar use on hold pending federal financial review

Jorge Barrera  
APTN National News

The RCMP in Manitoba has an open investigation into allegations involving the use of money from a Peguis First Nation land settlement trust fund, APTN National News has learned.

The RCMP investigation, triggered by a complaint from a Peguis First Nation band member, is currently on hold pending the completion of a financial review launched by Indigenous and Northern Affairs' audit and evaluation branch, APTN can report. The review is being executed by auditing firm Deloitte.

The complaint filed with the RCMP involves the use of funds from the \$64 million Peguis received as part of a 2006 treaty land entitlement (TLE) agreement. Some of those funds, held in trust by the Peguis Treaty Land Entitlement Fund, were used to launch a joint venture with the Manitoba Jockey Club to develop the Assiniboia Downs race horse track.

Indigenous Affairs' audit and evaluation branch opened an investigation in December 2015 after receiving allegations involving the misuse of the TLE funds from former Peguis chief Cindy Spence. The branch tapped Deloitte to lead the probe in early 2016.

"The review is being conducted as a result of information received by the department's audit and evaluation sector," said a statement from department spokesperson Valerie Hache. "At this time, the review is ongoing and no additional information is available."

The time frames for the allegations sent to the RCMP and Indigenous Affairs correspond with Glen Hudson's previous terms as chief for Peguis. Hudson was chief of Peguis from 2007 until 2015 when he was beat by Spence, whose campaign focused on the previous administration's alleged misuse of funds. Hudson regained his seat in March by beating the incumbent Spence.

Hudson has not been charged with any crime and no allegations against him have been proven in court.

Hudson was contacted by Deloitte shortly before the election in mid-March, according to his lawyer Jamie Kagan. Kagan said he recommended Hudson reject a meeting with Deloitte. Kagan said Deloitte wouldn't reveal the client who requested the financial review or provide any documents ahead of time.

"I never heard back from them again. Either this is not a particularly good audit or something is fishy," said Kagan.

Kagan said he initially didn't believe Indigenous Affairs (INAC) was behind the financial review.

"It was during the election call, that is what made me immediately suspicious it wasn't INAC," said Kagan. "INAC is not going to mess around in the middle of an election."

Kagan said the federal department's Winnipeg office told him they were not aware of any financial probe. Kagan said he did not, at the time, contact the audit and evaluations branch in Ottawa.

When informed of the department's statement to APTN last week, Kagan said he would be looking into it.

"I would like to know when this so-called investigation happened and I would like to know when Deloitte was retained. To me this is all interesting in an artificial sense. The details are important," said Kagan.

As of this article's posting, Kagan said he was still trying to get clarity from the federal department on the issue.

Shortly before the March 24 election in Peguis, Kagan penned a carefully worded letter on behalf of Hudson addressing claims around the RCMP investigation and the department's financial review.

"We can confirm we have never been contacted by the RCMP in respect of former chief Hudson. We are not involved in any investigation and do not believe any such investigation exists. We understand this allegation to be false," said the March 16 letter, signed by Kagan.

"We have also contacted Indian and National Affairs Canada [sic] (INAC). INAC has confirmed that there is no investigation at all of former chief Hudson. These allegations are therefore equally false," said the letter.

In a subsequent interview, Kagan repeated his assertion that, based on the information in his possession, he didn't believe the investigations by the RCMP and INAC existed at the time. This led him to believe the information about the allegations was incorrect, said Kagan.

Kagan said he stands by what he wrote and is willing to litigate to defend himself and Hudson.

"If your network is going to put on the air that there is a file open and here are all these allegations and they are going to put my name, my firm's name or Hudson's name associated with them, I can tell you there will be a response," said Kagan. "If our letter is referred to as anything other than factually accurate there will be consequences to that. I know that every word of that letter is factually accurate."

As to the allegations, Kagan said he has no intimate knowledge of Peguis' side in the Assiniboia Downs venture.

"If you are talking about the Downs—which I don't know much about and was not involved with at all. Interestingly enough I acted on the other side of Peguis on that matter," said Kagan. "I don't have information on Peguis and the transaction. A transaction closed and there are lawsuits outstanding related to that"

Kagan represented former NDP provincial finance minister Stan Struthers who opposed the deal between Peguis and the Jockey Club.

The Jockey Club launched a civil suit against Struthers and the province alleging a conspiracy to sink the horse race track. The suit was eventually settled out of court in 2014 through a deal between Manitoba and the club.

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Sunday, May 07, 2017 6:50 PM  
**To:** Self, Michael (AADNC/AANDC)  
**Subject:** Re: Media lines - Peguis

No problem.

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Michael Self  
**Sent:** Sunday, May 7, 2017 5:34 PM  
**To:** Phil Dupuis; Jean-Marc Lafreniere  
**Subject:** Media lines - Peguis

Hi JM with the office closure tomorrow I'll reschedule this to tuesday.

-----  
Organizer: Michael Self  
When: 10:00 AM - 10:30 AM May 8, 2017  
Subject: Media lines - Peguis  
Location: J-M's office

Sent from my BlackBerry 10 smartphone on the Rogers network.

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Friday, May 05, 2017 2:20 PM  
**To:** Scotton, Anne (AADNC/AANDC); Young, Donna (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC); Self, Michael (AADNC/AANDC)  
**Subject:** Re: Peguis

Fine with me.

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Anne Scotton  
**Sent:** Friday, May 5, 2017 1:16 PM  
**To:** Donna Young  
**Cc:** Phil Dupuis; Michael Self; Jean-Marc Lafreniere  
**Subject:** Re: Peguis

I see nothing in the SOW that can't be released as long as the contractor's proprietary info is not released.  
Jean-Marc do you authorize release? Anne

>>> Donna Young 5/5/2017 1:01:42 PM >>>  
Hi Anne,

As requested by Jean-Marc, attached is the SOW for Peguis FN.

Donna

s.19(1)

Hemish, Anne (AADNC/AANDC)

---

**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Friday, May 05, 2017 1:46 PM  
**To:** Dupuis, Phil (AADNC/AANDC); Scotton, Anne (AADNC/AANDC); Self, Michael (AADNC/AANDC)  
**Subject:** Re: Follow-up question -> CAEE - PEGUIS - MEDIA RESPONSE (ENG)

It's 

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Michael Self  
**Sent:** Friday, May 5, 2017 12:39 PM  
**To:** Phil Dupuis; Anne Scotton; Jean-Marc Lafreniere  
**Subject:** Re: Follow-up question -> CAEE - PEGUIS - MEDIA RESPONSE (ENG)

Thanks Phil - was looking for this.

Anne - revised response below. I can't call you though, you're missing a digit on that phone number you provided.

- Mike.

**Q. Is "financial review" the same as a forensic audit? Or is a financial review an audit? What are the terms of references?**

Proposed response:

A. A financial review and a forensic audit are not the same. A financial review is normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

As the work is ongoing, it would be inappropriate to disclose the terms of reference for this review.

>>> Phil Dupuis 05/05/2017 1:28 PM >>>  
Anne et al.

In the event it is useful, according to our "Definition of Key Financial Terms", a Financial Review is. . .



s.19(1)

- Financial Reviews: are normally undertaken by auditors, to examine the records of an organization to confirm the adequacy and the accurate reporting of revenues and expenditures.

Phil

Phil Dupuis  
Director, Risk Management  
Directeur, gestion des risques  
Audit and Evaluation Sector | Secteur de la vérification et de l'évaluation  
Indigenous and Northern Affairs Canada  
Affaires autochtones et du Nord Canada  
819.997.8147 (o/b)  
613.852-2381 (c)  
613.852.2381 (c)  
[phil.dupuis@aandc-aadnc.gc.ca](mailto:phil.dupuis@aandc-aadnc.gc.ca)

>>> Michael Self 5/5/2017 12:56 PM >>>

Sorry Anne I'll have to call around 130. Apologies I have someone at the house repairing something.

Thanks

>>> Anne Scotton 05/05/2017 12:49 PM >>>

Call me Michael, if possible with Phil, at [REDACTED]

>>> Michael Self 5/5/2017 12:15:01 PM >>>

Just following up. Any update? Would like to issue before 3pm if we can.

- Mike.

>>> Michael Self 05/05/2017 8:48 AM >>>

Much appreciated, Anne. Hope the draft helps.

- Mike.

>>> Anne Scotton 05/05/2017 8:29 AM >>>

We can talk today and get back to you quickly, Michael

>>> Michael Self 5/5/2017 8:23:06 AM >>>

Hi Anne/J-M,

Follow-up questions from APTN this morning. Included a draft response, but I think we can explain the difference a bit better (looking to J-M for language on financial reviews). Also, I'm assuming the terms of reference for the review are confidential at this point, but please confirm.

Working from home this morning but always happy to chat, if needed.

- Mike.

--

**Q. Is "financial review" the same as a forensic audit? Or is a financial review an audit? What are the terms of references?**

Proposed response:

A. A financial review and a forensic audit are not the same. A financial review is a general overview of a Band's finances, looking for possible irregularities in federal funds provided by INAC. A forensic audit, on the other hand, is more in-depth: it uses specific auditing procedures designed to identify and gather evidence to support or deny an assessment of possible irregularities, including the misappropriation of funds or assets, reported fraud or specific allegations on the part of a recipient or an individual. It's possible that a financial review can necessitate an eventual forensic audit, but that's not always the case.

As the work is ongoing, it would be inappropriate to disclose the terms of reference for this review.

--

>>> Anne Scotton 04/05/2017 12:30 PM >>>

Audit and Evaluation Sector not Branch, approved, Anne

>>> Michael Self 5/4/2017 12:23:42 PM >>>

Jean-Marc (and possibly Anne too),

For urgent approval, please: media call on Peguis. Not sure if the second sentence is needed, let me know what you think.

**Anne** - FYI: J-M and I will meet early next week to put together some media lines on this subject for future use. As of now, reporter is just asking us to confirm we're reviewing the First Nation.

Thanks,

- Mike.

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## INDIGENOUS AND NORTHERN AFFAIRS CANADA RESPONSE TO MEDIA

**Media:** [REDACTED] Aboriginal Peoples Television Network, 613.567.1550 [REDACTED] 613.294.2011, [REDACTED]@aptn.ca

**Date call received:** May 3, 2017

**Deadline:** May 3, 2017 (if possible)

**Q. I am just writing to confirm that INAC has hired Deloitte to conduct an audit of the handling of Peguis First Nation TLE funds and allegations of fraud against Peguis FN, breach of trust and misuse of trust funds and that the audit is ongoing?**

A. Indigenous and Northern Affairs Canada (INAC) has retained the services of Deloitte & Touche LLP to conduct a financial review at Peguis First Nation in Manitoba. The review is being conducted as a result of information received by the Department's Audit and Evaluation Branch.

At this time, the review is ongoing and no additional information is available.

## **INTERVIEW REQUEST**

Yes

## **DEPARTMENTAL RECOMMENDATION:**

Provide written response.

## **INAC Designated Spokesperson(s):**

Anne Scotton

Chief Audit and Evaluation Executive

819-934-1581

## **APPROVALS**

Jean-Marc Lafrenière, Director, AISB – tbd

Anne Scotton, Chief Audit and Evaluation Executive – tbd

Andrew Bisson, A/Manager, ESDPP/AE Communications – tbd

Guy Levac, A/Sr Director, Strategic Communications – tbd

Lesia Manchulenko, A/DG, Communications – tbd

DMO – FYI – tbd

MO – tbd

MB Region – FYI – tbd

LED Sector – FYI – tbd

## **Created by:**

Michael Self, Communications Advisor, 613-853-5349

Date: May 3, 2017

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Friday, May 05, 2017 12:47 PM  
**To:** Young, Donna (AADNC/AANDC)  
**Cc:** Scotton, Anne (AADNC/AANDC)  
**Subject:** Statement of work for peguis

Donna

Please send a copy to Anne so she can see if it can be released to APTN.

Sent from my BlackBerry 10 smartphone on the Rogers network.

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Thursday, May 04, 2017 3:03 PM  
**To:** Scotton, Anne (AADNC/AANDC); Self, Michael (AADNC/AANDC)  
**Cc:** Dupuis, Phil (AADNC/AANDC)  
**Subject:** Re: For urgent approval -> CAEE - PEGUIS - MEDIA RESPONSE (ENG)

Thank you for putting this together.

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Michael Self  
**Sent:** Thursday, May 4, 2017 1:52 PM  
**To:** Anne Scotton; Jean-Marc Lafreniere  
**Cc:** Phil Dupuis  
**Subject:** Re: For urgent approval -> CAEE - PEGUIS - MEDIA RESPONSE (ENG)

FYI: response below was delivered to APTN. Will send link to story once/if it's online.

- Mike.

>>> Jean-Marc Lafreniere <[JeanMarc.Lafreniere@aadnc-aandc.gc.ca](mailto:JeanMarc.Lafreniere@aadnc-aandc.gc.ca)> 5/4/2017 12:34 PM >>>  
And it is Deloitte LLP.

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Anne Scotton  
**Sent:** Thursday, May 4, 2017 11:30 AM  
**To:** Michael Self; Jean-Marc Lafreniere  
**Cc:** Phil Dupuis  
**Subject:** Re: For urgent approval -> CAEE - PEGUIS - MEDIA RESPONSE (ENG)

Audit and Evaluation Sector not Branch, approved, Anne

>>> Michael Self 5/4/2017 12:23:42 PM >>>  
Jean-Marc (and possibly Anne too),

For urgent approval, please: media call on Peguis. Not sure if the second sentence is needed, let me know what you think.

**Anne** - FYI: J-M and I will meet early next week to put together some media lines on this subject for future use. As of now, reporter is just asking us to confirm we're reviewing the First Nation.

Thanks,

- Mike.

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to Information Act  
Communiqué en vertu de la  
Loi sur l'accès à  
l'information

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**INDIGENOUS AND NORTHERN AFFAIRS CANADA  
RESPONSE TO MEDIA**

**Media:** [REDACTED] Aboriginal Peoples Television Network, 613.567.1550 [REDACTED] 613.294.2011,  
[REDACTED] @aptn.ca

**Date call received:** May 3, 2017

**Deadline:** May 3, 2017 (if possible)

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Anne Scotton

Chief Audit and Evaluation Executive

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**APPROVALS**

Jean-Marc Lafrenière, Director, AISB – tbd

Anne Scotton, Chief Audit and Evaluation Executive – tbd

Andrew Bisson, A/Manager, ESDPP/AE Communications – tbd

Guy Levac, A/Sr Director, Strategic Communications – tbd

Lesia Manchulenko, A/DG, Communications – tbd

DMO – FYI – tbd

MO – tbd

MB Region – FYI – tbd

LED Sector – FYI – tbd

**Created by:**

Michael Self, Communications Advisor, 613-853-5349

Date: May 3, 2017

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Thursday, May 04, 2017 12:40 PM  
**To:** Young, Donna (AADNC/AANDC)  
**Subject:** Re: Peguis

Thanks.

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Donna Young  
**Sent:** Thursday, May 4, 2017 11:37 AM  
**To:** Jean-Marc Lafreniere  
**Subject:** Re: Peguis

Hi JM,

We have it as an "Investigation".

Donna

## Hemish, Anne (AADNC/AANDC)

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**From:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Sent:** Thursday, May 04, 2017 11:47 AM  
**To:** Self, Michael (AADNC/AANDC)  
**Subject:** Re: UPDATE : Media Inquiry - APTN request re Peguis FN Audit

Call on my cell at [REDACTED]

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Michael Self  
**Sent:** Thursday, May 4, 2017 8:00 AM  
**To:** Anne Scotton; Jean-Marc Lafreniere  
**Cc:** Phil Dupuis; Jennifer Norris  
**Subject:** Re: UPDATE : Media Inquiry - APTN request re Peguis FN Audit

Morning all - are we able to get something drafted for this morning? Would like to have this to MinO for mid-day. Let me know if this is possible.

As always, appreciate the help!

- Mike.

>>> Michael Self 5/3/2017 3:14 PM >>>

Anne - just confirmed: we will be proceeding with a written response. Any info you/Jennifer can share to help develop a draft is much appreciated (the only related lines I have are from MB region, 2015).

Thanks again,

- Mike.

>>> Michael Self 5/3/2017 2:53 PM >>>

Thanks Anne - appreciate you flagging this to us. We'll discuss here in Comms, but either way we should be prepared to answer the original question (see below). In the mean time, if you could look into the file on your side so we can get a draft reply going, it would be much appreciated.

Chat soon,

- Mike.

>>> Anne Scotton 5/3/2017 2:37 PM >>>

I received a call (directly) from [REDACTED] APTN and he is asking for a background on this file. Can you please check with media relations and see if that is advisable? Jean-Marc will be back in the office on Friday. I told [REDACTED] that I was not authorized to agree to such a briefing and that he (and we) would have to follow the established procedure.

>>> Michael Self 5/3/2017 2:20:06 PM >>>



Jean-Marc/Anne,

Please see below media request from APTN. **Deadline is today, if possible.**

Any info to provide?

Thanks,

- Mike.

>>> Public Affairs Team 5/3/2017 2:12 PM >>>

Aboriginal Peoples Television Network, 613.567.1550 613.294.2011,  
@aptn.ca - Received May 3, deadline is same day (if possible) - A&E - I am just writing to confirm  
that INAC has hired Deloitte to conduct an audit of the handling of Peguis First Nation TLE funds and  
allegations of fraud against Peguis FN, breach of trust and misuse of trust funds and that the audit is ongoing.

**Pages 115 to / à 119**  
**are withheld pursuant to sections**  
**sont retenues en vertu des articles**  
  
**20(1)(c), 20(1)(d), 19(1), 20(1)(b), 23**  
  
**of the Access to Information Act**  
**de la Loi sur l'accès à l'information**

## "The money is gone" Former mortgage broker faces fraud charges



Colleen Schmidt , CTV Calgary

Published Thursday, June 4, 2015 11:42AM MDT

Last Updated Thursday, June 4, 2015 3:35PM MDT

An 18-month investigation into a multi-million dollar financing fraud has resulted in numerous charges against a local lawyer and former mortgage broker.

Police say a Calgary couple agreed to sell their home for over \$2M and the money was given to a lawyer to be held in trust until the conditions of the sale were fulfilled.

The conditions of the sale were satisfied in December 2012 and the money was supposed to be released to the seller but when the sellers tried to contact the lawyer they found out he had left Alberta with all of their money.

"The money is gone," said Staff Sergeant Kristie Verheul of the CPS economic crimes unit. "Essentially, the investigation that we are doing has revealed that (the money) has gone internationally."

Police say that between June and December 2012, a local lawyer and mortgage broker allegedly defrauded seven other property owners through mortgage bridge financing.

Investigators say the pair allegedly obtained personal information from property owners and then approached investors under the pretense that funding was required for bridge financing.

Investors then provided the funds with the understanding that they would get their initial investment back plus interest but most of the money paid by investors went missing when the lawyer left the province.

Police believe the offenders took more than \$3M in connection with the numerous bridge financing schemes.

‘We are suspecting that there are more victims out there and we want to encourage anybody that believes they’re a victim associated to this to come forward,’ said Staff Sgt. Verheul.

Floyd Campbell, 46, of Calgary, is charged with 15 counts of theft over \$5,000 and 15 counts of fraud over \$5,000.

Campbell was disbarred by the Alberta Law Society in April of this year and will next appear in court on Friday, July 17, 2015.

Brandon Antonini, 43, of Calgary, is charged with 14 counts of theft over \$5,000 and 15 counts of fraud over \$5,000. He will next appear in court on Tuesday, June 9, 2015.

Antonini applied to withdraw his mortgage broker license from the Real Estate Council of Alberta (RECA) last April and was the subject of conduct proceedings at the time of his application. The application was approved and a voluntary lifetime prohibition from industry membership was implemented.

Police are asking anyone with information about this case to call them at 403-266-1234 or Crime Stoppers anonymously using any of the following methods:

TALK: 1-800-222-8477

TYPE: [www.calgarycrimestoppers.org](http://www.calgarycrimestoppers.org)

TEXT: ttTIPS to 274637

## 2 men charged in multi-million dollar mortgage fraud

Police claim the 2 men stole more than \$5 million from unsuspecting Calgarians

A multi-million dollar fraud investigation has resulted in charges against a former Calgary lawyer and a former mortgage broker.

In June 2012, a couple agreed to sell a home for more than \$2 million. Once the paper work was complete, police allege the cash was provided to a lawyer to be held in trust. Six months later — when the conditions of the sale had been met — the money was supposed to be released to the seller.

But, police claim that when the funds were supposed to be handed over, the seller discovered the lawyer had left the province with their money in tow.

During the same time period, the mortgage broker and lawyer are also accused of defrauding seven property owners through a bridge financing scheme. According to the Economic Crimes Unit, the two obtained personal information from property owners and then contacted investors for bridge financing totalling more than \$3 million.

Police allege most of that money went missing when the lawyer left the province. In all, police say the suspects took more than \$5 million from Calgarians.

Floyd Campbell, 46, lives in Winnipeg and is facing numerous theft and fraud charges. He has been disbarred by the Alberta Law Society and will appear in court again on July 17.

Brandon Antonini, 43, has also been charged with numerous counts of theft and fraud. He has withdrawn his mortgage broker license and is now subject to a voluntary lifetime prohibition. He will appear in court on June 9.

**Hemish, Anne (AADNC/AANDC)**

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**From:** Scotton, Anne (AADNC/AANDC)  
**Sent:** Wednesday, March 29, 2017 7:51 AM  
**To:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Subject:** Former Chief Spence

**Page 124**

**is withheld pursuant to sections  
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**20(1)(c), 20(1)(d), 19(1), 20(1)(b)**

**of the Access to Information Act  
de la Loi sur l'accès à l'information**

**Pages 125 to / à 137**  
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**sont retenues en vertu des articles**  
  
**20(1)(c), 20(1)(d), 19(1), 20(1)(b), 23**  
  
**of the Access to Information Act**  
**de la Loi sur l'accès à l'information**



**Hemish, Anne (AADNC/AANDC)**

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**From:** Zivcec, Karlo (AADNC/AANDC)  
**Sent:** Thursday, November 03, 2016 1:40 PM  
**To:** Lafreniere, Jean-Marc (AADNC/AANDC)  
**Subject:** [REDACTED]

Hello Jean-Marc

[REDACTED]

Thank you

Karlo Zivcec

Economic Policy Researcher  
Fiscal Policy and Investment Readiness  
Lands and Economic Development Sector  
Indigenous and Northern Affairs Canada  
[Karlo.zivcec@aandc-aadnc.gc.ca](mailto:Karlo.zivcec@aandc-aadnc.gc.ca)  
819-743-8795

**Pages 139 to / à 175**  
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**20(1)(c), 20(1)(d), 19(1), 20(1)(b)**

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